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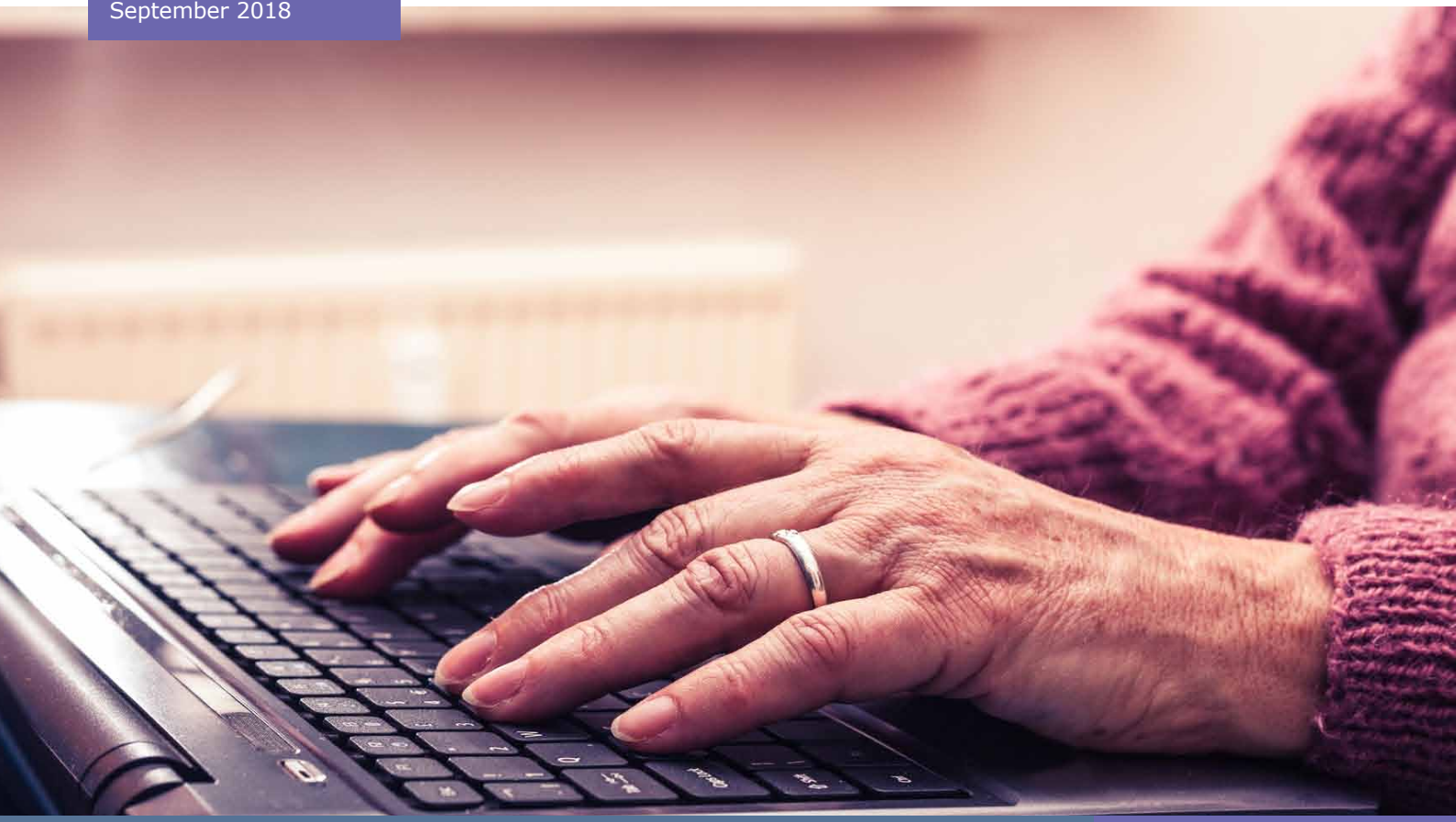

Ageing Workforce, Social Cohesion and Sustainable Development

Political Challenges within the Baltic Sea Region

Edited by Paul Becker, Johanna Schütz and Ann Zimmermann

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Introduction

Daria Akhutina, Paul Becker and Johanna Schütz
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In upcoming decades, the Baltic Sea States will face considerable challenges with regard to population ageing. In the majority of the countries (Finland, Germany, Latvia, Lithuania, Poland, the Russian Federation and Sweden), between 31% and 28% of the population will be 65 years or older in 2050. For the remaining countries (Denmark, Estonia, Iceland and Norway), the corresponding numbers range between 27% and 24% (UN Population Division, 2001). This disproportionate age distribution yields significant social and economic consequences, mainly due to a shrinking labour force and increasing financial imbalances within the region's social security, pension and healthcare systems. Sustainable policies are needed to address the causes and consequences of demographic change, as population ageing will have strong impacts, not only on economic growth, but also on social cohesion (between social groups) and social sustainability (between generations) within the region. Therefore, it is essential to learn more about how to best make use of the resources at hand by fostering active and healthy ageing, and increasing the labour force participation of older people.

In this volume, 11 chapters are dedicated to describe the specific situation in each of the Baltic Sea State countries. The authors are researchers with profound expertise of the national situation of the workforce participation of older adults, whose articles compile the national status quo, highlight pathways of reforms in the retirement system, and provide evidence-based policy recommendations for prolonging working lives. Thus, the discussion paper provides thorough evidence and enables debate of the issues at hand from a comparative perspective, as well as in light of the Baltic Sea States region as a whole.

Furthermore, this volume aims to contribute to the long-term CBSS (Council of the Baltic Sea States) long-term priority of a 'Sustainable and Prosperous Region', by raising the overarching question of how to effectively manage and use resources in an ageing society and to create an inclusive and attractive labour market for all. The volume addresses various stakeholders from the Baltic Sea States to better understand the challenges of demographic change and to evaluate political and social strategies maintaining population change within the region. It also contributes to another important CBSS long-term priority – Regional Identity – since the provision of expert knowledge will facilitate mutual learning, also with regard to best practices and examples of social innovation around the Baltic Sea. This knowledge building can strengthen the awareness for the region's peculiarities and commonalities, as well as the scope of policy challenges and policy reactions to population change in the near future. Enhancing knowledge on the effectiveness of different political strategies, policy approaches and already implemented policies tackling the demographic change of the working force population is vital in this regard.

Although the CBSS Member States are united by the same geographical area and often face the same challenges, they are very diverse when it comes to socio-economic developments and therefore the effective solutions should be tailor made for each society.

The discussion paper is organised as follows: **Per H. Jensen** discusses in the case of **Denmark** two major reforms of the Danish pension system in 2006 and 2011, transforming it into a multi-pillar system, resting on three pillars. He highlights its social sustainability and the decreasing importance of the early retirement scheme. Jensen also argues that older workers have suffered disproportionally from the Danish flexicurity system, generating a highly flexible labour market with a high rate of personnel turnover.

Lauri Leppik demonstrates that **Estonia** is in the group of EU countries with high employment rates for older workers, who are given the possibility to combine pensions with income from work. However, in contrast to the Scandinavian countries, the relatively low replacement rate of old-age pension makes staying in employment even after reaching the pen-

sion age an economic necessity for many older persons in Estonia.

Kathrin Komp-Leukkunen provides insights on the situation in **Finland**. She discusses the rapid demographic shift in the country, making active ageing and life-long learning a priority for the years to come. Given the specific task of raising the employment of the older population, Komp also examines the topics of industry 4.0 and the basic income experiment in the country.

Moritz Hess and **Laura Naegele** depict the paradigm change in **Germany** from the policy of early retirement to the policy of active ageing and extending working life, starting in the late 1980s. This was accompanied by a cultural shift in which old age was no longer perceived as a phase of withdrawal from society, but as one of active ageing. As a result, the employment rate for older workers in Germany has steeply risen since the early 2000s and this seems to be continuing.

Sigurveig H. Sigurðardóttir points out in the case of **Iceland** that the participation level of older workers on the labour market is high. He asks though, if one can expect the same level of employment of older people in the future, since on the one hand, the pension is considered so low that people cannot stop working and on the other hand, if the pension does rise, it could give older people the chance to retire.

With regard to **Latvia**, **Atis Berzins** presents the dependence of employment opportunities of the elderly on the level of education and discusses the governmental active ageing strategy for a longer and better working life in Latvia. The transition from a labour-intensive to a more knowledge-based economy could benefit the society, since the accumulated know-how of older employees could be applied more effectively, as well as be passed on to younger working generations.

The case of **Lithuania** is presented by **Boguslavas Gruzevskis** and **Vladislava Stankuniene**, who point out that in 2012, nearly 23% of the population in retirement age continued to work. Given the shorter life expectancy in Lithuania, especially for men, Lithuanians often spend their whole retirement in employment. Gruzevskis and Stankuniene summarise that the employment of older workers in Lithuania is above the average among the 28 European Union (EU) Member States, but representatives of this group more often face discrimination in the labour market, work part time and are at risk of poverty.

Per Erik Solem discusses the case of **Norway** where high levels of employment of older workers are prevalent. He gives an overview of the Norwegian pension system reforms, discusses the role of ageism, highlights good practice examples, and derives concrete policy recommendations – e.g. measures to stimulate employers to recruit older workers.

The case of **Poland** is covered in the chapter by **Agnieszka Chłoń-Domińczak**. The lower than average employment rates of older workers remain a challenge for the labour market and social policies in Poland. The author also presents key results of her analyses, such as the development of the employment rate of older workers after the introduction of policies aiming to reduce early retirement and prolong working lives in Poland during the first decade of the century.

Sergey A. Vasin addresses the very specific developments of ageing of the **Russian** population and the resulting employment situation of older adults. He highlights the importance of education and professional training after age 45, age-friendly workspaces and flexible working arrangements.

Tommy Bengtsson and **Haodong Qi** give insights into the peculiarities of the **Swedish** flexible pension system. They analyse the changes in the Swedish workforce's effective retirement age, which is the highest in the EU today, and examine the role of education and health in this context.

The chapter **The intergovernmental initiatives and co-operations in the Baltic Sea Region** provided by **Daria Akhutina**, Senior Advisor on economic issues and science (CBSS), is devoted to the intergovernmental initiatives and co-operation formats in the Baltic Sea Region in regard to the field of labour and employment, covering the issues related to the demographic challenges and ageing labour force.

Ann Zimmermann presents projections of population ageing on the labour market and provides an overview on how the issue of increasing the employment level of older people is approached at the

European level. Her synthesis leads to the conclusion that increasing the employment level of older people will most likely remain an important issue on the political agenda of the EU in the future.

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Denmark

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› Current situation in Denmark

The demographic prospects in Denmark are rather favourable compared to most other European countries, e.g. due to high levels of fertility (1.75 in 2017). In 2050, the old-age dependency rate is expected to be 39.8 in Denmark compared to 50.3 in the EU-28 (Eurostat 2018a). For decades, Denmark has also been one of the European Union (EU) countries exhibiting the highest employment rate among older workers. Between 2000 and 2017, the employment rate among workers 55-64 years of age grew from 55.7% to 68.9% (Statistics Denmark, 2017). The employment rate among older women in particular has sharply increased: From 44.5% in 2000 to 65.2% in 2017. Still, the effective retirement age is well below the state pension age, which in 2014 was 65 years. In 2014, the effective retirement age was 63.0 among males and 60.6 among females in Denmark (OECD, 2015).

The low old-age dependency rate also ties in with the fact that Denmark – in comparison to other west European countries – has a relatively low life expectancy. In 2015, overall life expectancy at birth was 80.8 in Denmark compared to, for instance, 82.4 in France, 82.7 in Italy and 83.0 in Spain. Life expectancy, however, has grown rapidly in Denmark in recent years: From 76.9 to 80.8 between 2000 and 2015 (Eurostat, 2018b).

Additionally, experts regard the Danish pension system to be sustainable and robust towards demographic ageing, meeting all requirements and recommendations from the World Bank (World Bank, 1994). The Melbourne Mercer Global Pension Index (2017) has deemed it as the highest ranking retirement income system for 2012-17.

› The pension system

While the Danish pension system may be adequate and sustainable, it is also very complex. Since the early 1960s, the Danish pension system has grown from a one-pillar to a multi-pillar system. The three major pillars are[1]:

1. State organised pensions: A universal, tax-financed, flat rate, basic state pension (amounting to roughly € 9,980 annually for a single pensioner in 2018) topped by different types of means-tested benefits. To receive full entitlements, beneficiaries are required to have resided in Denmark for at least 40 years after the age of 15. People who do not fulfil these demands – but have been residents for at least 10 years – will receive a fraction of the pension, dependent on years of residency in Denmark.

2. Privately and collectively organised occupational pensions: Organised according to principles of defined contributions (negotiated among social partners), meaning that individual pensions depend on individual contributions, returns on invested capital (the pension fund invests the money), retirement age, as well as adjustments due to changes in longevity. The system is almost stripped of any form of redistribution. People are entitled to take out their occupational pension five years before the state pension age.

3. Private and individual pension savings: Composed of a bouquet of four different, individual, pension saving schemes encouraging personal pension savings, primarily administrated by banks or insurance companies.

If a person entitled to the state pension has an income earned from work, this income will be deducted from all types of pension incomes from Pillar 1. Furthermore, if a person, who works at least 1,000 hours per year, decides to postpone his/her claim to the rights-based, basic, life-long pension, benefits will increase proportionally (a scheme called 'Opsat Pension'). If, for instance, a person postpones collecting his/her portion of the basic pension by four years, the basic pension will increase by 27%, providing an

incentive to postpone retirement (Amilon, Bingley, & Nielsen, 2008).

The overall trend is that Pillar 2 turns into the dominant part of the Danish pension system, which thereby becomes highly 'privatised' and economically sustainable. Basically, Pillar 2 and 3 are based on fiscal welfare principles, meaning that contributions to the pension systems are tax deductible. Contributions are paid into pension funds and already in 2015, the assets in these funds amounted to 201% of the GDP. When pensions are paid out (from all three Pillars), they are subject to ordinary income tax. Therefore, the fully funded pensions will provide the state with large income tax revenues from future pension payments. It has even been calculated that future pensioners will become 'net-contributors' to the welfare state. Future pensioners will even finance increasing expenditures to the health and eldercare sectors (Forsikring og Pension, 2012).

The Danish pension system can also be said to be socially sustainable. So far, pensioners who are solely dependent on income from Pillar 1, are relatively well protected against poverty – except for immigrants who do not have at least 40 years of residency. The rate of people 65+ at risk of poverty or social exclusion in Denmark was 9.9% in 2015 whereas it was 17.4% in the EU-28 (Eurostat, 2018c).

› Recent pension reforms

The Danish pension system was subject to major reforms in 2006 and 2011, where the major outcome was that the age for state pension between 2019 and 2022 will gradually be raised from 65 to 67. In addition, the state pension age was made dependent on life expectancy, using 1995 as the baseline. Thereby, the state pension age will be raised to 68 years in 2030, to 69 in 2035 and to 70 in 2040, provided that life expectancy increases by five years. Between 1995 and 2016, life expectancy had already risen from 75.3 to 80.9, i.e. more than five years. Therefore, the pensionable age will undoubtedly increase in the future beyond 70 years of age.

The 2006 and 2011 reforms also affected the early retirement scheme. Until 2014, people who have contributed to the early retirement scheme for 25 years could freely choose to retire early (between the age of 60 and 64), amounting to about €28,000 annually (subject to ordinary income tax) in 2018. The 2006 and 2011 reforms, however, reduced the duration of benefits from five to three years, meaning that early retirement benefits can only be claimed three years before the state pension age. People who do not retire early are eligible for a tax-free premium of €22,000 when they reach state pension age. The early retirement scheme, however, becomes more and more worthless. This is primarily because as of 2014, income from Pillar 2 and 3 are fully deducted from the early retirement benefit.

In 2011, a non-contributory, senior disability pension was introduced for people unable to work up to five years before the pensionable age. Eligibility does not differ much from the 'ordinary' disability pension, which has undergone several major reforms since the early 2000s. Until 2003, persons above 50 years of age could be awarded a disability pension if their labour market prospects seemed poor. In 2003, however, eligibility criteria were tightened and changed. While the earlier focus was on 'loss of employability', the focus after 2003 has been on 'working capacity', meaning that any working capacity should be utilised. Since 2003, several reforms have tightened the tests of work capacity. The effect has been that between 2011 and 2015, the number of newly-awarded disability pensions fell from 15,969 to 6,912 (Ankestyrelsen, 2015). The disability pension is a tax-financed benefit amounting to about €30,000 annually.

As an alternative to the disability pension, a flex-job scheme was introduced in 1998 to facilitate the employment of persons with disabilities allowing them to lead an active life. Working hours are flexible, but basically wage and work conditions are similar to ordinary work conditions. Flex-jobs carry a wage subsidy and in 2015, about 70,000 – out of a total labour force of 2,861,000 – were employed as flex-jobbers (www.statistikbanken.dk).

Similarly, the above mentioned 2006 reform abolished special rules laid down in the unemployment benefit schemes that safeguarded unemployed older workers from losing their unemployment benefits. Instead, a senior job scheme was created, guaranteeing that unemployed people 55 years of age (or older), who have lost their rights to unemployment benefits, are offered a 'senior job'. The municipality of residency is obliged to provide the senior job to the person in question. Senior jobs must be in accordance with conditions set up in the collective agreements and ordinary jobs must not be converted

into senior jobs. In 2015, about 4,500 persons were enrolled in the senior job scheme (Finansministeriet, 2016).

› Anti-ageism initiatives

While reform initiatives over the last 15 years have aimed at increasing the labour supply, also the demand for labour has been restructured by means of flex-jobs and senior jobs. In addition, a range of public activities have been launched in order to combat ageism in the labour market.

Historically, older workers have suffered disproportionally from the Danish flexicurity system generating a highly flexible labour market with a high rate of personnel turnover. The percentage of retired males (55-64 years) whose main reason for leaving their last job – or the labour market entirely – was dismissal or redundancy has been much higher in Denmark than in other European countries. There is no doubt that older workers were subject to discrimination in the hiring and firing processes.

As part of the 2006 reform, the EU directive from 2004 on age (direct and indirect) discrimination was implemented. At least formally, the directive mitigated discrimination in the fairly liberal hiring and firing processes. The directive also had, however, a huge impact on Danish labour market policies and on older workers' access to labour market programmes. Until 1996, workers above the age of 50 did not – like other unemployed individuals in general – have the right and obligations to 'activation' (e.g. job training, education, etc.), and until the 2006 reform, people above the age of 60 did not have the same rights and duties as unemployed people in general. It was evident that unemployed older workers as of 2006 needed to receive full access to labour market training and retraining: In 2016, the educational attainment of 27% of the labour force aged 55-64 was 'below upper secondary education', whereas this was the case for only 15% of those aged 35-44 (OECD. stat).

The state has also organised several information campaigns in order to combat ageism in the Danish labour market, e.g. the 2006-2007 campaign entitled: 'A couple of years makes a difference'. These campaigns – claiming 'grey is beautiful' – on the one hand brought the message to employers that older workers are equally productive compared to younger workers and that age diversity in the workplace fosters innovation and is good for business. On the other hand, the state tried to persuade employers to implement age management, communicating codes of good conduct and best practices. These communicative efforts were backed by practical support. Between 1999 and 2009, Danish firms were offered five hours of free consultancy to help them formulate and implement age management. About 50% of Danish firms employ age management practices and the most often used age management instrument is part-time/flexible work hours (Jensen & Møberg, 2012).

› Conclusion

Denmark is favoured by a moderate growth in the old-age dependency rate, high employment rates among older workers, and an economically and socially sustainable pension system. Ageism has, to some extent, been confronted and new employment opportunities for older workers have been created (flex-jobs and senior jobs). However, there is no paradise without snakes. The Danish pension system is confronted with two major challenges:

First, each occupation bears its own pension risks, meaning that men and women, who typically still work in gendered occupations (e.g. men as engineers and women as nurses), are enrolled in different occupational pension schemes (Pillar 2), which will give rise to marked gender differences in future pension benefits; women earn less (i.e. contributions are lower) and live longer (i.e. pension savings must cover a longer period of time) than men. What even aggravates such gender inequalities is that women do not contribute to the pension fund during periods of maternity.

Second, class-based mortality and pension income differences are already very high – and increasing – in Denmark. For instance, a male 40 years of age with no education can expect to live until he is 76.1-years-old, while a male 40 years of age with a higher education can expect to live until he is 82.7 (Statistics Denmark, 2014). These differences in pensions and mortality are expected to increase in the future when the state pension age will be raised dramatically and early retirement opportunities diminish, resulting in a 'health/pension trap' for lower educated and lower paid segments in the labour force. Low educated workers entered the labour market at

an early stage of their life and may be physically or mentally marked by a long working career already at the age of 60. If these workers are forced to work beyond 70 years of age, then it may have negative health effects and impact mortality. If, however, they retire early, it will have a significant negative effect on their future pension income.

These challenges occur because the Danish occupational pension system is based on one-size-fits-all principles. A more just pension system calls for several reforms. Two types of redistribution could help to alleviate inequalities with regard to future pensions, i.e. (a) redistribution from male dominated to female dominated occupations (this is already occurring in Sweden) and (b) from high to low education occupations. As to the 'health trap', it may be more just if pension eligibility is based on number of years in employment rather than a fixed state retirement age.

Footnotes

[1] For a historical description of the development of the Danish pension system, see Andersen, 2011.

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Estonia

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The fast ageing of the population presents specific challenges for the labour market in Estonia in the coming decades. A major decline in birth rates in the years after regaining independence in 1991 has led to a situation where the cohorts entering the labour market now and in the upcoming decades are smaller than those reaching the pension age, creating a labour force shortage (Luuk, 2009). In this context, the Estonian Active Ageing Development Plan 2013-2020 set as one of its key policy goals the extension of working lives and maintenance of economic activity and employability, while reducing unemployment and inactivity in older age groups (Sotsiaalministeerium, 2013). To support the policy initiatives, there have also been a number of analytical projects focusing on different aspects of policies to extend working lives (Aksen, 2013; Nurmela, Osila, & Leetmaa, 2014; Puur, Leppik, & Klesment, 2015).

› Pension system

The general statutory pension age in Estonia in 2018 is 63.5 years for both sexes. This is the age applicable for a cohort born in 1955. The pension age is gradually increasing and will reach 65 years by 2026. The Government has recently passed a draft law to the Parliament to link further pension age increases beyond 2026 to increases in life expectancy.

The pension age in Estonia has been raised since 1994, originally starting from 55 years for women and 60 for men. While historically the women's pension age was lower than the pension age for men, the same level of 63 was reached for both sexes in 2016. In fact for men, the level of 63 was reached already in 2001, while from 2001-2016 the pension age increased only for women. Future increases apply equally to both sexes.

In Estonia, the pension age is defined separately for each birth cohort. For cohorts born up until 1961, the pension age is defined by a fixed scale, whereas for cohorts born in 1962 and after, the pension age will be linked to cohort life expectancy at the age of 65.

There is a possibility for early retirement up to three years before the pension age with a reduction of the pension by 0.4% for every month remaining until the normal pension age is actually reached. Beyond this general early retirement pension, there are some categorical rights to an early old-age pension for specific occupational groups, in particular those working in hazardous and arduous work conditions, as well as for parents who have raised three or more children. By the end of 2017, about 9% of all old-age pensioners had opted for the early retirement pension. However, entry into early retirement is highly dependent on the labour market situation. In 2017, given the rather low unemployment rate (5.7% in the 55-64 age group), only 6% of new old-age pensioners (to whom a pension was granted for the first time in 2017) opted for the early retirement pension. In contrast, in 2010 when the unemployment rate in the 55-64 age group was 16.3%, the share of new old-age pensioners who opted for the early retirement pension was 23.8% (Social Insurance Board, 2018). Earlier studies have also shown that unemployment and inactivity before the pension age are the main pathways into early retirement pensions (Alloja, Võrk, & Philips, 2007).

In the 2000s, the average effective pension age (the average age at which people first took up a pension) was about two years below the statutory pension age for men and about three years below for women (Puur et al., 2015).

There is also an option for a deferred old-age pension. In this case, the pension amount is increased by 0.9% for every month retirement is postponed after the general pension age. However, the number of persons who have opted for a deferred old-age pension is still low, but their share has been slightly increasing. In 2017, 4% of new old-age pensioners opted for the deferred old-age pension (compared to 6% who opted for the early retirement pension as shown above) (Social Insurance Board, 2018, authors own calculations).

It is permitted to receive a pension and simultaneous income from work, except in the case when one receives an early retirement pension before the general pension age.

The net average replacement rate of the old-age pension has been in the range of 41-47% over the last decade[1], which is at the lower end in Europe. Estonia also has one of the lowest net theoretical replacement rates in the European Union (EU) (European Union, 2015; European Union, 2018).

› Health and life expectancy

Despite a steady increase over the last two decades, the life expectancy at 65 in Estonia remains below the EU average, standing at 18.7 years in 2016, while the EU average was 20.0 years. There is a 5.3-year difference in life expectancy at 65 between men and women – 15.6 years for men versus 20.9 years for women (the EU average is 18.2 for men and 21.6 for women) (Eurostat, 2018a). The number of healthy life years at 65 in Estonia is among the lowest in the EU, at 7 years for women and 5.5 years for men in 2016, compared to the EU average of 10.1 years for women and 9.8 years for men (Eurostat, 2018b).

The relatively poor health situation of older persons in Estonia is also confirmed by a more detailed analysis of data from the Survey of Health, Ageing and Retirement in Europe (SHARE) (Sakkeus & Leppik, 2016). Estonia stands out among other countries participating in the SHARE survey with the highest shares of older persons (50 years and over) rating their general health status as poor and rating their memory as bad, but also by having the highest shares of those exhibiting symptoms of depression, those presenting at least one symptom of frailty and those with significant limitations in activities of daily life.

› Old-age poverty

Estonia has one of the highest at-risk-of-poverty (AROP) rates of older persons (65 and over) in Europe. In 2016, the AROP rate for persons aged 65 and over was 40.2%, while the AROP rate for older women (47.4%) is significantly higher than that for men (26.1%) (Eurostat, 2018c). The AROP rate is also sensitive to the household structure. Particularly high – nearly 80% – is the poverty risk for single older persons, the majority of whom are women (European Commission, 2018).

However, there has been a major fluctuation in the AROP rate of older persons over the years (see Figure 1), which is mainly explained by the income distribution pattern of older persons. A high share of old-age pensioners have an income level very close to the at-risk-of-poverty threshold implying that relatively small changes in the ratio of pensions to work income result in large changes in the share of pensioners falling below AROP threshold.

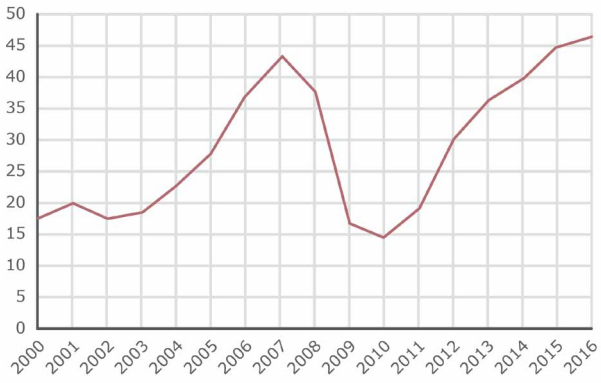

Figure 1: At-risk-of-poverty rate (%) of persons aged 65 and over in Estonia in 2000-2016
Source: Statistics Estonia, 2018

In contrast to income poverty, the material deprivation rate[2] of elderly persons in Estonia is relatively moderate. In 2017, according to Statistics Estonia, 15% of persons aged 65 and over were in material deprivation and 6% in severe material deprivation (compared to respectively 10.8% and 3.7% in the 16-64 age group). There is, however, a remarkable difference in the extent of material deprivation of older persons in Estonia when contrasting the Eurostat material deprivation rate (which is based on EU-SILC (European Union Statistics on Income and Living Conditions) data) with the material deprivation index calculated from SHARE data, indicating that the results are highly dependent on which deprivation indicator is selected. When using the SHARE data (wave 5), Estonia had the highest value based on the material derivation index for persons aged 50 and over (Bertoni, Cavapozzi, Celidoni & Trevisan, 2015).

› Employment of older people

Estonia is in the group of EU countries with high employment rates for older workers. In 2016, the employment rate in the 55-64 age group was 65.1%, putting Estonia in fourth place after Sweden, Germany and Denmark. This is significant given that

the pension age, life expectancy, and in particular healthy life expectancy, in Estonia are lower than in other countries with high employment rates for older workers. Notably, in the age group of 55-64, the employment rate for women is higher than that for men – respectively 66.5% for women (only Sweden shows a higher level in the EU) and 63.7% for men (Eurostat, 2018d).

In the 65-74 age group, Estonia has by far the highest employment rate in the EU: 25.3% in 2016. Given the possibility to combine pensions with income from work, this reflects a relatively high share of working pensioners. In the 65-74 age group, the employment rate for women is again higher than that for men – 26.2% for women and 23.8% for men (Eurostat, 2018d).

There is a strong educational gradient in the employment rate of older persons. In 2016, in the 55-64 age group, the employment rate for persons with tertiary education was 78%, while for persons with lower education (ISCED levels 0-2), the employment rate was 42.3%. The educational gradient is even more marked in the 65-74 age group, where the employment rate for persons with tertiary education was 36.1%, while for persons with lower education, it was 12.4%. Particularly high is the employment rate for women with tertiary education in age group 65-74 at 38%. This may be explained by a high number of female teachers and medical doctors continuing to work once they reach the pension age (Eurostat, 2018d).

The high employment rates in older age groups may be attributed to a combination of factors. Firstly, the possibility to supplement pension income with earnings from work stimulates employment beyond pension age. However, and in contrast to the Scandinavian countries, the relatively low replacement rate of old-age pension makes staying in employment even after reaching the pension age an economic necessity for many older persons.

The financial motivation behind the high employment rates was confirmed by the 2012 EU Labour Force Survey, which included an ad hoc module on transition from work to retirement. 78.3% of Estonian respondents in the 50-69 age group who were receiving a pension indicated that the main reason to continue working was to earn a sufficient income (Eurostat, 2018e). Notably, the share of respondents indicating the financial reasons as the main motivation for work in old age in Estonia was over two times higher than the EU average.[3] Meanwhile, the share of respondents in the same age group who indicated that the main reasons to continue working were non-financial, e.g. work satisfaction, was the lowest among the EU countries – 7.6%, which was 10 times less than in Denmark where the share of such respondents was 78.8%.

In other words, whereas the employment rates in older age groups in Estonia are comparable to those in the Nordic countries and even exceed those in age groups above the pension age, the constellation of factors behind the similar result are markedly different.

Puur et al. (2015) examined trends in the take-up of newly granted old-age and incapacity pensions and changes in employment associated with pension take-up in the context of increasing pension age using individual-level, administrative, pension register data for the period 2000-2011. They analysed whether increases in pension age had pulled employment exit towards a later age, or to put it in other words, whether the policy change (increase in pension age) had been accompanied by behavioural change in retirement of the affected cohorts. Their results revealed a relatively successful adjustment to the increase in pension age. They observed that the age gap between take-up of normal and early retirement (old-age) pension did not widen and the increase in the statutory pension age moved exit from employment proportionally towards a later age. However, they also observed a marked increase in the use of incapacity pensions, which was particularly high during the economic recession. The increase in the number of incapacity pensioners significantly reduced the overall effect of pension age reform.

Earlier studies (Tiit, Leppik, Võrk, & Leetmaa, 2004; Luuk, 2009; Sotsiaalministeerium, 2013) have also revealed the existence of markedly diverse groups of older workers in Estonia. As the relatively high employment rates of older workers demonstrate, there is a sizable group of those who continue to work beyond pension age. However, at the same time, there is also a significant group of older persons withdrawing from the labour market before the statutory pension age through means of unemployment, incapacity benefits and early retirement pensions. In 2015, the number of newly granted work incapacity pensioners (7,320 persons) nearly equalled the number of new old-age pensioners (7,847 persons) (Social Insur-

ance Board, 2016).

In 2016, the Government launched a Work Ability Reform, modifying the eligibility criteria and payment conditions of incapacity benefits – now called work ability allowances – combined with additional labour market policy measures that aim at increasing labour market participation and preventing early exit from employment. Among others, such measures include occupational rehabilitation, peer support, assistive work equipment and commuting benefits. The reform is still too recent to assess its results.

Conclusions

Estonia presents a mixed bag regarding the employment and employability of older persons. On the one hand, the outcome indicators look excellent in the European and world context. Estonia has some of the highest employment rates of older persons, in particular among those over the pension age, which is even more remarkable considering that the life expectancy is lower than in other countries with high employment of older persons.

On the other hand, there are significant differences based on social groups. Education is one of the key factors behind the positive outcomes of employment in older age, while the main challenge is the rather poor health status of older age groups both by subjective and objective health indicators.

It is also evident that the relatively low replacement rate of old-age pensions gives older people a very strong financial incentive to stay in employment as long as possible.

Further policy initiatives need to focus on supporting employability of those groups of older workers who are in the most vulnerable situation in the labour market due to low education, health restrictions, care obligations or other factors that have led to an early exit from employment.

Footnotes

[1] Higher in the years of economic crises when wages were cut, while the pension level was frozen or increased slightly, and lower in the years of economic growth when wage increase exceeded pension indexation.

[2] The material deprivation is defined by Eurostat as: 'a state of economic strain and durables, defined as the enforced inability (rather than the choice not to do so) to pay unexpected expenses, afford a one-week annual holiday away from home, a meal involving meat, chicken or fish every second day, the adequate heating of a dwelling, durable goods like a washing machine, colour television, telephone or car, being confronted with payment arrears (mortgage or rent, utility bills, hire purchase instalments or other loan payments).' (Eurostat, 2016)

[3] In fact, only Greece had a higher share of such respondents.

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Finland

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Active ageing is currently of high importance in Finland. Finland's population is ageing rapidly due to a short and early baby boom. This boom lasted from 1945 to 1950, meaning that the first Finnish baby boomers reached the age of 65 in 2010 (Statistics Finland, 2016). As a result, the old-age dependency ratio increased drastically around that time: From 26% in 2010 with a slow growth rate to 32% and an accelerated growth rate in 2015. The old-age dependency ratio is projected to reach 40% by 2025 and 50% by 2080 (United Nations, 2017). Due to the rapid demographic shift, Finland is becoming one of the countries with the oldest populations worldwide. In a global comparison of old-age dependency ratios, Finland ranked 16th in 2000, 13th in 2010, and it is projected to reach third place in 2020 (United Nations, 2017). This abrupt shift entails that reforms dealing with the consequences of population ageing have to be quickly and efficiently implemented. There is no time for long-winding processes of trial and error, especially when it comes to the labour market situation and the financing of pension schemes. This context makes active ageing a current priority for Finland.

› The demographic potential

At the time of writing (2018), the Finnish labour market still had untapped resources in the population. In 2015, life expectancy at birth was 81.1 years, and life expectancy at age 60 was another 22.1 years for men and 25.9 years for women. Healthy life expectancy at age 60 was 17.1 years for men and 19.8 years for women (World Health Organization, 2016). These numbers mean that at the age when retirement typically occurs, individuals still had numerous healthy life years ahead of them. With the effective retirement age having been around 62.5 years for both men and women in 2015 (Organisation for Economic Co-operation and Development, 2016), the third age lasts about 14 years for Finnish men and 17 years for Finnish women. Consequently, Finland has a well-developed third age, meaning a considerable number of healthy retirees who can engage in society, support their families, or pursue hobbies and self-fulfilment (Karisto, 2008). Such a well-developed third age can be considered a sign that the population structure would still allow policymakers to further delay retirement, if they wished to do so.

However, there is considerable within-country variation in how lives progress. Specifically, men with a low educational level have a much lower life expectancy than women and their better educated counterparts, and they benefit less from the social and economic upturn than other social groups. An important reason for this is that alcoholism is prevalent among them, which affects their health and life expectancy even when the economy experiences an upturn (Koskinen et al., 2016). As a result, the third age is not equally enjoyed by all Finns. It is best-developed among well-educated individuals and among women. This circumstance means that efforts to delay retirement need to account for social inequalities. Pension reforms that target individuals with an intermediate or high educational level can strive to increase the effective age of retirement. However, pension reforms that target individuals with a low educational level, especially among men, would have more leeway if they were combined with reforms that strengthen health-relevant behaviour or prevent alcohol addiction.

› The labour market situation

In 2016, four out of every five Finns aged 20 to 64 years were active in the labour market. This share is slightly higher than the average within the European Union (EU), and it has changed little since the beginning of this century. There is a small, but persistent, gender difference in labour market activity, with the share being five percentage points higher among men than among women, again with little change since the beginning of the century (Eurostat, 2018a). However, this gender difference does not carry over to the unemployment rate. Within the active population, about 9% of men and women were unemployed in 2016 (Eurostat, 2018b). About half of the

Finns aged 55 to 64 were active in the labour market in 2001, and this share increased to 60% in 2010. These numbers apply to both men and women. Since then, however, a gender difference emerged: In 2016, 68% of older women were active in the labour market, whereas the share is only 65% among older men (Eurostat, 2018a). Therewith, efforts to integrate older workers into the labour market seem to be particularly effective among women. Women in this age group are also less affected by unemployment than men. In 2016, the unemployment rate in this age group was 7% among women, but 9% among men. In general, older women maintained their lower unemployment rates for the last 25 years (Statistics Finland, 2018).

The labour market situation of older workers is specifically strongly influenced by pension regulations. These regulations recently experienced major reforms in 2005 and 2017. Prior to 2005, the general retirement age was 65, people qualified for part-time retirement at the age of 56, and early old-age pensions were available from age 60 on. The pension reform of 2005 made the general retirement age flexible, allowing individuals to retire at some point between the ages of 62 and 68 years. At the same time, it increased the age for early old-age pensions to 62 years, and it abolished individual early retirement pensions (International Social Security Association, 2018). While this reform had the general goal of delaying retirement, it also had an unintended consequence. Some healthy workers used the newly introduced flexible retirement age to retire earlier than they would have under the old scheme (Leinonen, Laaksonen, Chandola, & Martikainen, 2016). This means that individuals who would have been physically capable of working until a later age, and who therewith constitute the prime target group for active ageing policies, prematurely ended their workforce participation.

The 2017 reform gradually increased the general retirement age. Keeping the feature of a flexible retirement age, people are able to retire between the ages of 65 and 70 once the reform is fully implemented. From 2030 on, the general retirement age will be linked to life expectancy (Finnish Center for Pensions, 2018; Tikanmäki, Sahvonen & Salonen, 2015). A simulation study suggests that this pension reform may also interfere with social inequalities and have unintended side effects. It is expected that the 2017 reform will especially extend the working lives of highly educated individuals, that it will have no effect on gender differences, and that it will delay retirement more than it extends working lives (Tikanmäki et al., 2015). The latter expectation means that individuals will receive pensions starting at a later age, but that they will not always succeed in working until this later pension age. In the future, more people will experience spells of, for example, unemployment or non-employment before they receive old-age pensions.

› Challenges to active ageing

Although the potential for active ageing is high in Finland, there are several challenges that may hamper its implementation. Currently, the foremost challenges are the rise of industry 4.0, the reform of health and social care services, and the basic universal income experiment.

Industry 4.0 will play an important role in Finland. Industry 4.0 means that automation in manufacturing increases (Liao, Deschamps, De Freitas Rocha Loures, & Pierin Ramos, 2017). This shift will be especially prevalent in Finland because of Finland's well-developed technology sector and its heavy reliance on information and communication technologies across all sectors, which makes it a prime example of an information economy (Oinas, 2005). Industry 4.0 makes some of the manual manufacturing work obsolete, and it increases the need for workers who monitor and maintain the automation. As a result, the demand for workers with a low educational level decreases, and lifelong learning, especially in the area of technology, becomes essential. Consequently, a solid formal education and lifelong learning will be keys to active ageing in Finland in the future.

The reform of health and social care services has been planned in Finland for several years now (Kröger, 2017). While the details of the reform are still under discussion, the general elements have already been outlined. One of these general elements is that health and social care services will be partly privatised (Ministry of Social Affairs and Health, 2018). In Finland, it is primarily women who work in the public sector, with the sector-specific regulations making it easier for them to combine work and raise children (Riekhoff & Järnefelt, 2017). Therefore, the planned reform of health and social care services will affect women's workplaces disproportionally, and it will shift the affected women into a sector where it is harder to combine work and raise children. As a

response, these women may take longer maternity leaves when they have children, which could lead to them losing touch with the labour market and permanently remaining outside the workforce. Female labour force participation rates in old age could decrease. To prevent such a development, support for working mothers in the health and social care sector will be crucial.

The Finnish government is currently testing the implementation of a basic income in an experiment, which runs from 2017 to 2018. In this experiment, 2,000 randomly selected Finns of working age receive an unconditional payment of 560 euros per month (Kela, 2018). The experiment is supposed to test whether a basic income can reduce bureaucracy and increase work incentives. After the experiment, the government will decide about a possible nationwide implementation of the basic income (Kangas et al., 2016). Depending on the outcome of the experiment, the considerations about workforce participation and retirement – and therewith about active ageing – in Finland may change. If a basic income is introduced and only paid to individuals of working age, then the income loss upon retirement would increase. This could lead individuals to postpone retirement. In contrast, if a basic income is introduced and also paid to retirees, then the income during retirement would increase. This could allow individuals to retire earlier.

› Conclusions and policy recommendations

Despite some challenges, opportunities for active ageing in Finland are good. The high healthy life expectancy means that Finns are physically capable of working until a later age, the comparatively low unemployment rates mean that structural possibilities for such work exist, and the comparatively high educational level of the Finns means that many older individuals are employable. At the moment, active ageing benefits especially from the Occupational Health Care Act (Työterveyshuoltolaki, 1383/2001), which obliges employers to arrange for occupational healthcare. Employers can either provide the healthcare themselves, which may take place at the worksite, or they can contract external professional healthcare providers. This Act entails that the physical capability for active ageing will probably remain high in the future.

Additional measures that Finnish policymakers could take to facilitate active ageing are:

- support a healthy lifestyle, especially among individuals with a low educational level;
- prevent alcoholism and support rehabilitation;
- support lifelong learning on technology, especially among individuals with a low educational level;
- monitor changes in the working situation of the staff in health and social care due to the planned reform in this sector;
- support the work-life balance of women working in the health and social care sector after the reform;
- consider the effects of a basic income on active ageing when the basic income experiment is evaluated.

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Germany

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The policy of early retirement

After the post-war boom in the 1960s, the German economy cooled down in the 1970s and unemployment rates started to rise. Based on the idea of the lump-sum-of-labour[1], policymakers tried to relieve pressure from the labour market by allowing (or forcing, depending on one's perspective) older workers to exit employment and retire at a rather young age, well before the official retirement age and with a comparably small pension deduction (Ebbinghaus & Hofäcker, 2013). This policy of early retirement was supported by employers and trade unions. Whereas the former used it as a socially-acceptable opportunity to dismiss expensive older workers, the latter – by supporting such policies – were able to offer their members an attractive possibility of leaving the labour market relatively early (Radl, 2007). Older workers, who had contributed for 35 years to the public pension system, were allowed to retire at age 63 (men) or 60 (women). In addition, the unemployment and disability insurance were used as 'bridges' into early retirement (Buchholz, Rinklake, & Blossfeld, 2013). As can be seen in Figure 1, these efforts resulted in a steep decline in the employment rate of older men from the 1970s on; due to the German welfare state's orientation around the model of the male breadwinner, few older women were in employment. The policy of early retirement evolved into a culture of early retirement in which retirement long before the official statutory retirement age was seen as the rule and working until the official retirement age or even beyond it was the exception (Hofäcker & Naumann, 2015). Forcing older workers out of the labour market en masse, coupled with the presumed lower 'productivity' of ageing workforces, assisted in the formation of an undifferentiated and primarily negative image of old age. Older workers – so the simple message went – were no longer needed (Sporket, 2011). One could also speak of a phase of inactive ageing which, it turned out, would require a concerted effort to break.

The policy of active ageing and extending working life

In the late 1980s, policymakers became aware of the problems that this early retirement policy might cause for the long-term financial stability of German public pensions, as a declining number of contributors had to pay for a growing number of beneficiaries (Hofäcker, Hess, & König, 2016). As a result, a policy shift from early retirement to extending the working life took place, accompanied by a cultural shift from inactive to active ageing[2] (Hofäcker & Naumann, 2015).

On the policy side, several reforms were implemented aimed at delaying retirement and increasing older workers' employment rates (Ebbinghaus & Hofäcker, 2013). The most prominent was the increase in the official retirement age from 65 to 67 between the years 2012 and 2031. In addition, several early retirement options were abolished, made financially less attractive or had their eligibility criteria tightened (Radl, 2007). There were also efforts at marketization and privatisation through the strengthening of the second and third pillars of old age security with public subsidies for contributions (*Riesterrente*) (Bridgen & Meyer, 2014). With the aim of increasing the employability of an ageing workforce through 'active labour market policies', measures were implemented that specifically targeted vulnerable groups of older workers, e.g. *WeGeBau*, a state funded training programme for low-skilled older workers, or *Initiative50plus*, an initiative aimed at supporting the occupational integration of the older, long-term unemployed (Duell & Vogler-Ludwig, 2012). The state targeted the company level in order to make older workers more attractive by making subsidies available for employers who hired older workers; examples being the *Eingliederungszuschüsse* (integration subsidies) and the *Entgeltsicherung* (integration vouchers) (Dietz & Walwei, 2011).

In addition to these efforts on the institutional level, the labour market position of older workers also

changed. While employers used to perceive older workers as inflexible, unproductive, inactive and, due to the seniority wage principle, comparably expensive, a shortage of skilled workers forced companies to re-evaluate these biased views (Hofäcker & Naumann, 2015). Increasingly, older workers are seen as a source of reliable and experienced employees, who should be retained by companies to mitigate the labour force shortage. As a result, companies began introducing human resources measures aimed particularly at older workers, such as programmes related to preventive healthcare, part-time retirement and specific training and career development (Deller, 2015; Frerichs et al., 2012). However, this development varies strongly depending on sectorial affiliation, organisational structures and skill or job requirements (Naegele, 2016).

› Consequences of the policy shift

The shift from early retirement to extending working life at the institutional and workplace level, as well as the cultural shift from inactive to active ageing had a direct effect on older workers' employment rates and the effective retirement age in Germany. Figure 1 depicts the development of the employment rate of German workers aged 55-65. It shows the persistent early retirement trend from the 1970s until the early 1990s and the stagnation of the employment rate at a rather low level in the 1990s. With the turn of the century, the employment rate then started to rise steeply for men and women alike. This development is echoed in an increase in the effective retirement age: On average, in 2016, men retired almost two years and women three years later (63.3 for men and 63.2 for women) than in 2000 (61.8 for men and 60.8 for women) (OECD, 2016). In addition to working more often up until the statutory retirement age, an increasing share of older workers also work beyond it (Naegele & Hess, 2018). Data from the EU Labour Force Survey (LFS) in 2014 show that the proportion of working pensioners in Germany rose by over 140% between 2002 and 2014, to approximately 946,000. Although it seems very plausible that the main reason for this impressive increase in the older worker employment rate is the new policy of late retirement, other explanations are also significant: Due to cohort effects, older workers today are much healthier and better skilled than their predecessors. In addition, female employment rates have increased overall and the German labour market has been very robust since 2000 – even the financial and economic crisis only slowed it down temporally (Hess, 2016).

Overall, this trend of a growing number of older workers and working pensioners is perceived positively, as it means higher revenues from social security contributions and taxes, and is in line with the idea of active ageing. This is good news for the pension systems' long-term financial sustainability. However, recent concerns include the recognition that not all older workers are benefiting equally from the trend and that social inequalities in the late career phase, retirement transition period and post-retirement phase are increasing (Hofäcker & Naumann, 2015).[3] On the one hand, skilled specialist *Silver Workers*, with their high income and high public and occupational pension claims, have the personal resources and support of their employers to be able to retire late. In addition, they often have a high level of identification with their occupations and, hence, also an intrinsic motivation to delay their retirement (Hess, 2018). On the other hand, low-educated older workers with only a small income seem to be forced to work longer in often unfavourable working conditions to ensure a sufficient pension, while simultaneously, due to their low employability, they are often threatened by a high risk of unemployment (Buchholz et al., 2013). In contrast to the positive connotation in the expression *Silver Worker,* one could refer to the latter as *Rust Workers*. In conclusion, older workers are still often confronted with severe difficulties to 'age in their profession' and it seems that the choice regarding when to retire is a privilege that only some older workers can afford.

Figure 1: Employment rate of workers age 55-64 in Germany
Source: OECD, http://stats.oecd.org/viewhtml.aspx?datasetcode=LFS_SEXAGE_I_R&lang=en

› Discussion and recommendations

The German labour market and pension policies have undergone a fundamental change from one of early retirement to one of extending working lives. This was accompanied by a cultural shift in which old age was no longer perceived as a phase of withdrawal from society, but as one of active ageing. As a result, the employment rate for older workers in Germany has steeply risen since the early 2000s and this seems to be continuing. However, not all older workers can fulfil the requirement of the new credo of late retirement and active ageing, and social inequalities in the retirement transition can be seen to be re-emerging in Germany. Policymakers, employers, trade unions and other societal stakeholders at the regional, national and European levels must acknowledge these new inequalities and act in a concerted effort. They must realise the large heterogeneity amongst older workers and that a 'one size fits all' approach might not be appropriate for existing pension regulations. In summary, they should be designed in such way that they first allow those older workers who can, to work as long as they want and not force anybody into involuntary retirement. Second, they should support those older workers struggling to meet the requirements of the new credo of late retirement. Measures that are required include flexible and gradual retirement programmes and anti-age discrimination policies. In addition, policymakers, employers and trade unions should strive to improve the employability of low-qualified older workers through the availability of training programmes and a stronger focus on lifelong learning. Workplaces should be adapted to older workers' needs while health prevention programmes could decrease early labour market exits due to health problems.

Good practice examples of such efforts can be drawn from the level of social partners – meaning here trade unions and employers' associations – and companies: In 2008, the social partners in the German chemical industry (BAVG and IG BCE) entered uncharted territory when they signed an agreement (*Lebensarbeitszeit und Demografie*) covering all 1,900 companies in the sector. Although their effect is often a subject of controversy, for the first time, management and work councils negotiated the build-up of so called 'demography funds' specifically aimed at introducing a wide range of age management measurements at the company level. Such measures may include old-age pensions, working-time accounts, occupational disability insurance, partial retirement schemes or pensions (Naegele, Thode, & Dheret, 2013). Although promising, these initiatives should be supported and scientifically evaluated. These studies should include evidence-based evaluations of policies and workplace measures aimed at delaying retirement or creating age-appropriate work environments regarding their efficacies. Furthermore, future research should investigate the heterogeneity amongst older workers and the differences which challenge the ability to extend working lives.

Footnotes

[1] The idea of the lump-sum-of-labour assumes that there is a fixed amount of labour within an economy and that the labour market exit of one group (e.g. older worker) opens up employment opportunities and therefore lowers unemployment for others (e.g. younger working cohorts).

[2] More details of this shift in Europe, the U.S. and Japan can be found in the project 'Determinants of Retirement Decisions in Europe and the United States: A Cross-National Comparison of Institutional, Firm-level and Individual Factors', which was funded by the German Research Foundation.

[3] These potential new social inequalities in the retirement process are the main focus of the project 'EXTEND: Social inequalities in extending working lives of an ageing workforce', which is funded as part of the framework of the Joint Programming Initiative "More Years, Better Lives". More information on the project can be found at www.extend-jpimybl.eu

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Iceland

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The Icelandic population, as of 1 January 2017, was almost 340,000, of whom 14% were 65 years of age or older. The population in Iceland is relatively young compared to most European countries due to a relatively high fertility rate in of 1.7 per woman. Even if the population is ageing, the population growth is rather slow and people over the age of 65 will make up a quarter of the population in 2060 compared to one-third of people the same age in most other European countries (Statistics Iceland, 2017a).

The old-age dependency ratio is defined as the ratio between the elderly population and the working age (15-64 years) population and the youth dependency ratio refers to the ratio between people younger than 15 years and those of working age. Figure 1 shows both dependency ratios from 1971 to 2016 and prognoses for the next 50 years in Iceland. This shows that the Icelandic nation is becoming older and fewer will be participating in the workforce. This ageing of the nation is an important topic in the political discussions regarding the distribution of resources.

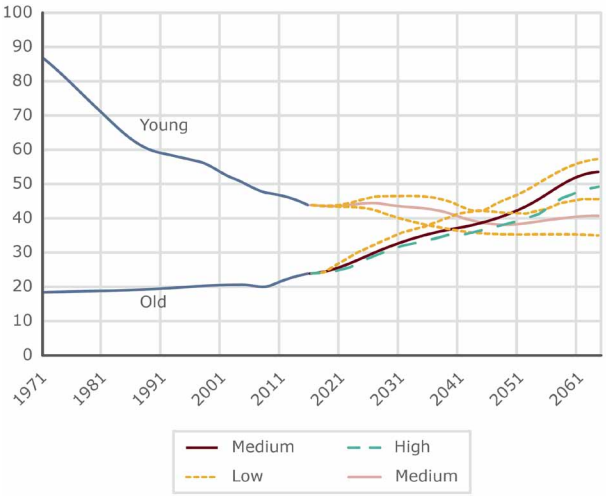

Figure 1: Old-age and youth dependency ratios (% per year), 1971-2066
Source: Statistics Iceland (2017b).

Legislation on service and support to older people

In Iceland, there is a special Act on the Affairs of the Elderly from 1999 (Lög um málefni aldraðra, no. 125/1999). The purpose of the Act is to ensure that older people have access to healthcare and social services that they need. The Municipalities Social Services Act (Lög um félagsþjónustu sveitarfélaga, no. 49/1991) states which services older people and other inhabitants are entitled to. Among the purposes of this Act is to offer assistance so that the inhabitants will be able to stay for as long as they can in their homes, and work and live as normal of a life as possible. The law, however, does not specifically clarify what resources will be offered to assist the elderly workforce. In the implementation of the social services, each individual is encouraged to be responsible for himself/herself and the right to self-determination shall be respected. Older adults shall also be provided with appropriate social and leisure activities. They will also be offered instructions and courses on adjustment to the change occurring because of withdrawal from the labour market (Lög um málefni aldraðra, no. 125/1999; Lög um félagsþjónustu sveitarfélaga, no. 49/1991).

The workforce and the pension system

Participation in the workforce in Iceland is high at 83.6% of the total population and unemployment is low at 3.0% of the total workforce. Traditionally, demand for workers has been favourable for all age groups. In 2016, work participation of the age group 55 to 74 was 67.7% of the total population and it was 40.6% for those 65 years and older, compared to the 91.9% participation rate of the age group 25-54. Unemployment for 55- to 74-year-olds was 1.8% (Statistics Iceland, 2017c). The reasons for the high employment rate among older people in Iceland might be because of low entitlement for pensions compared to working salaries. It could also be related to other

reasons, such as that Icelanders usually value work very highly and also employers seem to value older workers experience (Nordic Labour Journal, 2012). As Iceland does not have an early retirement pension scheme, the disability pension scheme provides possibilities for exit from the labour market for people over the age of 60, but still under the official pension age.

The official retirement age in Iceland is 67 years, both for men and women. Individuals can work until they are 70-years-old in the public sector, but longer in the private sector depending on corporate policies. The pension system in Iceland is based on three pillars: A tax-financed public plan, a mandatory occupational or privately funded pension scheme and a person's voluntary savings scheme (Ólafsson, 2011). Individuals can start collecting their pension at the age of 67 with exceptions for some groups like fishermen and nurses, who can start collecting their pension at the age of 60. As of 1 January 2018, it is possible for those 65 and older to take 50% of their old-age pension from the state-funded public pension scheme against a 50% pension from the privately funded pension funds, subject to certain conditions. Revenues do not affect half-pension payments from the publicly funded pension scheme. This step is taken by the legislator to increase the flexibility in retirement age so people can collect a pension partly before turning 67 and gradually lower their participation in the labour force (Social Insurance Administration, 2018).

› Life expectancy, health and poverty

The average expected age of the Icelandic population is high compared to most countries in the world. For men, the life expectancy in 2017 was 79.7 years and for women 83.8 years and is estimated to rise to 84.4 years for men and 88.6 years for women in 2066 (Statistics Iceland, 2017b).

Also subjective health of older people in Iceland is high. In 2016, a telephone and internet survey was conducted by the Social Science Research Institute, University of Iceland on behalf of the Ministry of Welfare, Municipality of Reykjavik and the National Association of Senior Citizens, asking a national sample of 1,800 persons 67 years and older about their situation, family relations and services. The response rate was 59%. The older respondents were asked to evaluate their health and 79.3% of the participants evaluated their health as either rather good or very good. The ratio is very similar to previous studies conducted in 2007 and 2012 (here and further Social Science Research Institute, University of Iceland, 2017).

In the same study, the older adults were asked about their exercise and physical activity. Of the older respondents, 76% exercise one to two times a week or more, and almost no change has occurred since previous surveys. The vast majority of respondents in all ages regularly exercise or participate in other physical activity.

The relationship between fitness and health is strong. Over 80% of those who consider their health to be very good or rather good have at least a weekly fitness routine, but only about half of those who consider their health to be bad have such a routine.
As an example of innovation in active ageing, the programme in health promotion for older adults that two municipalities have recently started should be mentioned. The main aim is to promote health by creating conditions and an environment that will increase fitness and raise awareness of the importance of good health for general wellbeing. This is done by health education and exercise (Hafnarfjordur Municipality, 2017).

Iceland is one of the Nordic welfare states and the country guarantees its citizens access to healthcare, education and social security. Spending on health, education, social security, welfare and other social affairs amounted to 25.7% of GDP in 2014 (Central Bank of Iceland, 2016). The Icelandic healthcare system is a tax financed system for those who have held legal residence in Iceland for at least six months. Healthcare services are free of charge to a large extent, although there is an increase in fees for the services.

The at-risk-of-poverty-rate for Iceland is much lower than the EU-28 average and also lower than in the other Nordic countries as shown in Figure 2 (next page). The relative median poverty risk gap[1] of elderly people in Iceland in 2016 was 6.1% while the EU-28 average was 16.8% (Eurostat, 2017).

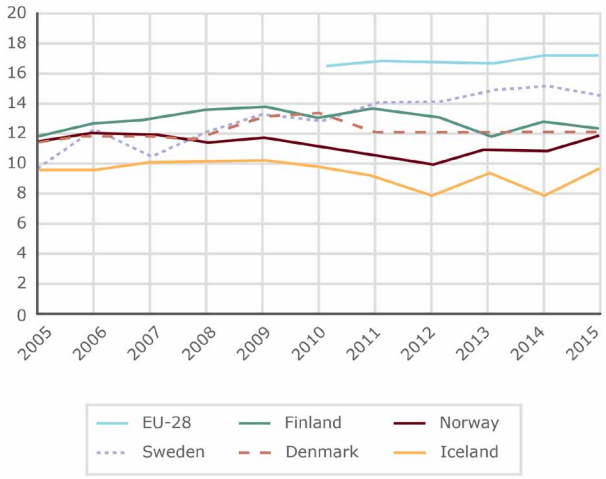

Figure 2: At-risk-of-poverty rate (%), 2005-2015
Source: Statistics Iceland (2017a).

› Age discrimination

In the previously mentioned survey conducted by the Social Science Research Institute, the older respondents were asked about their view on attitudes towards senior citizens. Over half of the respondents (52%) believe that the attitude towards older citizens in the Icelandic society is rather positive or very positive towards older people (Social Science Research Institute, University of Iceland, 2017).

In a survey conducted by the European Commission in 2011, the aim was to understand European citizens' views and attitudes towards older people (European Commission, 2012). The respondents, which were 15 years or older, were asked if they had felt personally discriminated against due to their age or if they had witnessed such discrimination within the past two years. Of the Icelandic participants, 31% stated that they had been discriminated against due to age or had witnessed such discrimination at work in the past two years. In comparison, only 20% of participants from the 27 European Union (EU) countries had experienced such discrimination.

However, there seems to be less discrimination in the healthcare sector where 10% of the Icelandic participants compared to 14% of those living in the EU countries reported having experienced discrimination due to age or had witnessed such discrimination for the past two years. Also, 83% of the respondents in Iceland felt that people over 55 years of age were generally perceived positively in their country compared to 61% in the 27 EU countries. According to the same survey, respondents in Finland, Iceland and Sweden tend to show the most satisfaction across all of the components of wellbeing (European Commission, 2012).

Research on ageism among older employees is very limited in Iceland. Due to the relatively young age of the workforce and in respect to the relatively young population of the Iceland nation compared to other OECD countries, age discrimination in the workforce is seen by many as a problem for older people re-joining the workforce after unemployment.

A qualitative study highlighting the experience of women 55-75-years-old participating in the labour market was conducted in 2017. The results show that many of the women have experienced discrimination in the workforce after they turned 50-55. The participants claim that it is more difficult being an older woman in the labour market than a man (Sigurðardóttir, unpublished).

In 2005, the Minister of Social Affairs appointed a project committee with the main objective of strengthening the status of middle-aged and older people in the labour market. The project was called 50+. One of the aims of the project was to create a positive debate about middle age and older people in the labour market. The goal was, among other things, to draw the attention to the benefits of older employees and change the attitude towards older workers in society. The committee held many meetings and seminars, and encouraged research in the field. This was a five-year project, from 2005 to 2010, resulting in a report describing the activity of the project. The project committee succeeded in drawing society's attention to the importance of active participation of older people in the workforce (Gunnarsdóttir, 2009). There is no information on any follow-up activities on the project.

› Conclusions and policy recommendations

The participation of older workers in Iceland is high. Because of the high employment rate in general, there is a steady need for employees. The possibilities for participation of older people should therefore be favourable. But the question remains: Can we expect the same level of employment of older people in the future? There is a certain dilemma in this matter. On the one hand, the pension is considered so low that people cannot stop working. On the other hand,

if the pension is higher, it would give the older people the chance of retiring. This could change the need of older people in the workforce. It is obvious that the rules on income-testing causing a reduction on pensions have not encouraged older people to work in spite of good health and the will to continue to work. There is a discussion on this situation and there is a desire to change this by the legislators. The association of older people in Iceland is strong and active. The main demand of the association is to increase the pension, especially the tax-financed public pillar. If this will come into force, the question remains if older people will choose to stop working and enjoy retirement. The best solution would be flexibility and gradually withdrawing from the labour market, which best serves individual needs.

Footnotes

[1] This is calculated as the difference between the median weighted disposable income of persons below the at-risk-of-poverty threshold and the at-risk-of-poverty threshold, expressed as a percentage of the at-risk-of-poverty threshold.

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Latvia

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› Current situation

Demographic projections indicate a decline in population and rapid ageing in Latvia. In 2017, those aged 50+ made up 40.6% of the population, and workers of the age group 50-64 comprised nearly 32% of the working age population (those between the ages 15-64). By 2040, the share of those of working age in the total population is set to decline by almost eight percentage points, and the 50+ share of the working age population will rise to 38.2% (Eurostat, 2018b). As the number of younger workers shrinks, workers older than 50, including post-retirement elderly aged 64-74, should prove to be an increasingly important resource.

The already intensive discussions on the active ageing issues in Latvia were accelerated during the European Year of Active Ageing in 2012. Based on the Active Ageing Index (AAI), the importance of active ageing policy appears to be particularly important in Latvia. The AAI has four sub-indices: Employment, social participation, independent living and capacity for active ageing. Latvia scores 19th out of the EU-28 countries and is one of the only three countries where women perform better than men, and the one where the gender gap is the largest (Active Ageing Index, 2014). Latvia is the worst performer under the category 'independent, healthy and secure living' and the sixth worst in 'capacity and enabling environment for active ageing' in the AAI index. In terms of employment, Latvia ranked ninth (fifth place for women, 14th place for men), but these high employment scores likely reflect problems of pension-income adequacy.

The sustainability of the Latvian pension system is evaluated internationally as very high. In the 2016 study by the Allianz company, it was recognised as the seventh most sustainable in the world (Allianz, 2014, p. 6). The study evaluated 54 countries using a set of criteria: Demography, pension system and state financial status. In the Latvian pension system, substitution of income is not excessive, the retirement age is gradually increasing and there are strong real pension savings at levels two (mandatory, privately managed funded pensions) and three (voluntary funded pensions). However, residents of Latvia are sceptical about assessing the sustainability of the pension system. Quite widespread is the opinion that the system is far from providing adequate old-age income to the elderly population. The most pessimistic are those of low-income in pre-retirement age. One-third of the workers' social contributions are paid out of a salary that does not exceed the minimum wage, which is one of the lowest minimum wages in the European Union (EU) (cf. European Commission, 2018, p. 132; OECD, 2018, p. 63).

The pension system was tailored for a country where people do not move abroad for work and pension funds are invested in the domestic economy. The crisis has demonstrated that the system was not prepared enough for the risks brought on by globalisation (Rajevska, 2016, p. 103). Globalisation of the labour market allows workers to pursue job opportunities abroad, and quite often this choice is motivated by better social guarantees in host countries: The emigrants are leaving their home country not only because of better job opportunities and living conditions, but also to indemnify themselves against poverty in old age by subscribing to western pension schemes. Globalisation of financial markets make the assets accumulated in private pension funds very vulnerable to the risk of devaluation. The majority of pension funds' assets are invested abroad and are highly dependent on foreign market fluctuations. During the crisis years, they suffered drastic contractions of share values (Rajevska, 2016, p. 95).

To reduce the future risks associated with the ageing of the population, the eligible retirement age in Latvia will gradually increase to 65 for both genders by 2025. In 2017, the official retirement age was 63, but according to the State Social Insurance Agency data, actual retirement age in 2016 was 61.7 for men and 61.6 for women (Central Statistical Bureau of Latvia, 2017, p. 27). According to the Eurostat pro-

jections, the average effective exit age will rise to 65.2 years in 2030 (European Commission, 2017, p. 197).

Older working-age groups are characterised by a higher risk of unemployment, which increased especially during the period of economic crisis. According to the Latvian State Employment Agency data from December 2017, the largest proportion of the unemployed population was comprised of the population aged 50 years and over – 38.7%. The aggregated data also show that the same group of the population is exposed to long-term unemployment. In December 2017, 55.2% of registered unemployed 50+ were long-term unemployed.

Recent Eurostat data (Eurostat, 2018a) find that healthy life expectancy at age 50+ in Latvia in 2015 was 11.2 years for women and 10.6 years for men (representing respectively only 36% and 44% of their remaining years of life). Healthy life expectancy at age 65 was only 4.0 years for women and 4.1 year for men. This is more than twice as low as the healthy life expectancy in the EU as a whole, which is 9.4 years for both women and men.

› Challenges, potentials and opportunities

The employment opportunities of the elderly are very dependent on the level of education they receive. After the economic crisis, which had a negative impact on all elderly people, employment rates for people with higher education levels are rising faster, while people with lower educational levels have dealt with the impact of the crisis longer (Figure 1).

A higher level of education also contributes to a longer working life, especially among men. For example, 40% of men and 20% of women with a higher education continue to work, even when they reach 70 years of age (World Bank, 2015a, p. 36). The future cohorts are more likely to be better educated than the current 50+ cohort. However, the likelihood that better educated workers may be more likely to emigrate could reduce the potential of this positive trend.

Participation in adult education is relatively low. Data from the Eurostat database (Eurostat, 2018c) shows that in 2017, the participation rate in education and training during the last four weeks for people aged 55-64 in Latvia (3.5%) was significantly lower than that of the EU-28 average (6.3%). This could be explained by the lack of interest from employees and companies, costs, lack of time, availability of information and programmes, as well as the structure of the economy and enterprises. However, the projected rise in income, continued structural transformation of the economy and skill-based technical change is likely to increase the demand for training and requires carefully tailoring available training programmes to employer needs and employee circumstances, and favouring real work activity and participatory learning methods over traditional classroom training (OECD, 2016, p. 23).

Higher employment in older age is also motivated by a relatively low size of old-age pensions and the possibility to receive simultaneous income from work. Increases of minimum wages or introduction of the minimum social contribution can make it more difficult to retain or hire older adults, since a substantial share of older workers currently earn only minimum wage or less, which makes working longer an economic necessity for them.

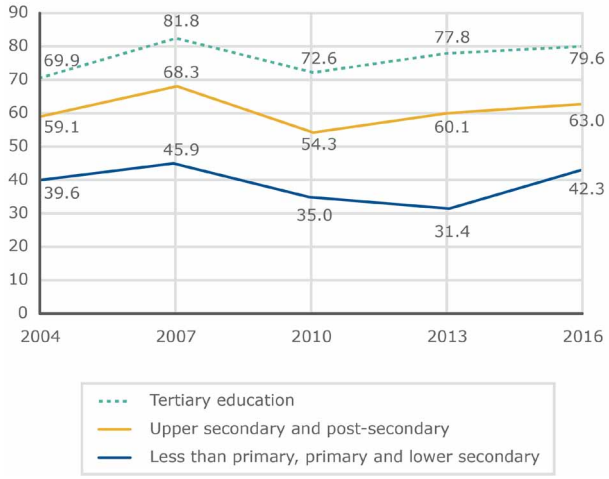

Figure 1: Employment rate by educational attainment in Latvia, aged 50-64, in per cent
Source: Eurostat Database, http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=lfsa_ergaed&lang=en.

Based on the analysis of the situation, several challenges can be identified whose mitigation can improve the employment potential for people aged 50+:

- Older people in pre-retirement age are characterised by a high risk of unemployment and especially long-term unemployment, which is affected by inadequate knowledge and skills in the labour

market, poor health status, caring responsibilities and low mobility.

- The quality of jobs for older workers (both in terms of working environment and remuneration) is relatively low, which affects their labour market situation. When they are employed, older Latvian workers tend to have worse jobs. In particular, the share of good-quality jobs is especially low in the post-retirement age group. The oldest workers are also more likely to be underpaid relative to those with similar education working in similar occupations and sectors. This suggests that seniority wages are not prevalent in Latvia. In terms of work safety, pre-retirement-age wage workers are relatively concentrated in occupations and sectors where there is a higher prevalence of work-related incidents, diseases and health risks. Among older wage workers, those with higher education seem to have better-quality jobs (World Bank, 2015b, p. 9). The involvement of elderly people in adult learning activities is low, especially among people with lower educational levels, among the simplest professions, and among the economically inactive and unemployed.

- Primary healthcare treats a high proportion of older people, as a result of late diagnoses of chronic diseases and insufficient preventative healthcare measures in previous age groups. Significant gaps based on education and income level can be observed in Latvia in terms of access to medical and dental health services. According to subjective health measures, less educated middle aged males and females report the lowest number of doctor visits despite poorer health. Lower use of health services is most likely associated with income barriers to access, but also with attitudes, a lack of education and overall poor health behaviours (World Bank, 2015b, p. 17).

- Health indicators for middle-aged and older people are well below the EU average. In recent years, there has been an increase in the number of newly diagnosed occupational illnesses, and often occupational diseases are detected late.

- Despite their professionalism and experience, older workers are often confronted with stereotypes, such as the belief that they tend to be sicker, more likely to miss work, less productive, less motivated to accept change and reluctant to be trained. For example, Latvia's State Employment Agency in 2014 found that 35% of all employers would not be willing to employ someone aged 50 and over (World Bank, 2015a, p. 89). There is also a widespread stereotype that the employment of older workers deprives potential younger workers. To reduce bias against older workers, it is important to promote positive information about their capacities, but concerning the unemployed – to increase their opportunities for exposure to employers.

› Active ageing strategy

The active ageing strategy for a longer and better working life in Latvia has been approved for the period 2017-2022 by the Government (Cabinet of Ministers, 2016) and it is based on a World Bank study (World Bank, 2015a).

The target group of the Strategy is the elderly population aged 50 and over, especially before reaching retirement age, who face significant barriers to labour market integration. The strategy has several priorities:

- Employment: An inclusive labour market for older people.

- Education: Educated and competent elderly workers responding to changing labour market conditions.

- Health and active lifestyles: Healthy and active elderly people for as long as possible.

- Social protection: Socially protected elderly workers.

To identify classes or groups of vulnerable individuals, pre-retirement age adults with labour market difficulties were grouped into six distinct groups or clusters (World Bank, 2015a). By assessing the common features of each group, it is possible to determine the priorities for support:

(1) Low-intensity workers with low earnings (24%): This group suffers from long unemployment periods and, consequently, they also have low income.

(2) Poor, out-of-work individuals (22%): Most members of this group do not work at all. They are either unemployed or inactive, fulfilling domestic tasks. A

significant part of them are poor, receiving the guaranteed minimum income (GMI) and/or receiving housing benefits.

(3) Disabled out-of-work individuals (16%): An overwhelming share of the individuals in this group are disabled, but the degree of limitation differs with 50% reporting that they are not very strongly limited, which can indicate some potential to participate in the labour market. Most of the members in the group receive disability benefits, but a significant part of them are poor and this group has the highest incidence of GMI and housing benefit receipt.

(4) Informal male workers (15%): These are predominantly men, who work full-time in the informal labour market. They are much wealthier than the rest of the individuals with labour market vulnerabilities.

(5) Female low-earners (12%): The individuals in this group are females who earn less than 80% of the annual minimum wage, either due to low hourly wages or less-than-full-time employment. This cluster is more likely to have children aged 6-15 in their households relative to other groups, and 23% of them receive family or child allowances.

(6) Early-retired individuals (11%): This group comprises individuals who do not work at all. This cluster is the best educated one, with almost 40% having post-secondary or tertiary education. The early retirement decisions in this cluster are not likely to be driven by health reasons, as the majority do not experience any health limitations. Compared to most other groups (except informal male workers), this group is not income poor.

The active ageing strategy of the Latvian government consists of support measures for employees (I), the unemployed (II) and seniors (III):

I. Employee measures:

a) Public awareness measures to promote longer and better work lives, including issues such as labour force structure forecasts, the benefits of the elderly in the labour market, benefits from teams of different age groups, flexible employment methods, possibilities for adapting workplaces and job tasks, labour protection and measures to improve the health of employees, a work environment that promotes good health, health promotion and prevention, and development of social skills.

b) Assessing the potential of the work environment and human resources to improve the quality of jobs, in line with the needs of older employees, thus contributing to their working capacity and employment.

c) Support measures to promote the ability, skills and health of older employees.

d) Adult education for employees with the aim of improving their professional competence.

II. Support measures for the unemployed:

a) Activation measures for long-term unemployed.

b) Promotion of the integration of long-term unemployed into society and help in finding them a suitable permanent job or suitable training programme.

c) Training opportunities for the unemployed and jobseekers whose skills do not meet the changing demands of the labour market or whose skills are inadequate.

d) Promotion of self-employment of older unemployed persons with experience and orientation in business activities.

e) Subsidised jobs and qualified work manager for unemployed people with disabilities.

f) Temporary public works.

g) Regional mobility promotion by providing financial rewards for transport and accommodation costs during the first four months after the start of employment.

h) Support for social business: Public awareness campaigns on social enterprises and the development of a social enterprise support system.

III. Support measures for seniors:

a) Career counselling, which includes identification of the professional competence, assessment of training abilities.

b) Competitiveness enhancement measures – individual counselling and group lessons for acquiring job search methods, and the basic skills necessary for the labour market.

c) Promotion of volunteering.

Conclusions

Active ageing is an important strategy, which has no alternative to fast ageing and the shrinking population in Latvia. A broader understanding of active ageing is vital for societal growth. It is important to strengthen public awareness that the active ageing strategy of the Latvian government emphasises the necessary model of understanding and actions for the coming decades.

Current demographic trends point to the need to efficiently use the potential of the existing labour force. The potential of older people is undervalued in the labour market and should be adapted to the changing labour market demand. Transition from a labour-intensive to a more knowledge-based economy is favourable for older people to stay longer in the labour market. Due to technological advances, the role of physical effort will diminish, while the role of professional experience and skills will increase. To benefit the society, the know-how that has been accumulated during the whole working life of older employees can be applied more effectively, as well as could be passed on to younger working generations.

The growing importance of active ageing and the necessity for improving the material wellbeing of the elderly also encourages new ideas and discussions. For example, recently the Minister of Welfare proposed that pensioners should receive 1% of the taxes paid by their children, in addition to existing pensions. Such a system would promote both paying taxes without increasing the overall tax burden and promoting intergenerational solidarity by emphasising the public interest in supporting the upbringing of children. This suggestion led to discussions with diametrically opposed views in society. By mid-2018, the legal, economic and social aspects of the proposal, as well as administrative issues, will be evaluated.

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Lithuania

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Various statistical indicators suggest that in less than 25 years, Lithuania will become one of the oldest countries in the European Union (EU) (Eurostat, 2018a; UN Population Division, 2017). This demographic shift has, and will have, a significant economic and social impact. That is why Lithuania, like other EU Member States, is paying increasing attention to the improvement of social security systems and the implementation of active ageing policies.

Population ageing in Lithuania can be summarised using the following indicators:

- The share of the population aged 60 years and over increased from 15.96% in 1990 to 18.8% in 2001 and reached 25.4% in 2017 (Lithuanian Department of Statistics, 1991 (1992), p. 17; Demographic Yearbook, 2000 (2001), p.12; Demographic Yearbook, 2016 (2017), p. 20);

- The share of the population aged 65 years and over during the same period nearly doubled from 10.8% to 19.3% (Lithuanian Department of Statistics, 1991 (1992), p. 17; Demographic Yearbook, 2016 (2017), p. 17);

- Median age increased from 32 to 43 years (Demographic Yearbook, 2016 (2017), pp. 23-24);

- The old-age dependency ratio first increased from 16 in 1990 to 21 in 2001, then to 27.5 in 2014 and 29.3 in 2017 (EU-28: 28.2 in 2014 and 29.9 in 2017) (Eurostat, 2018b).

Although Lithuania is not among the top leaders in ageing in the EU, the pace of ageing during the period since the beginning of the 1990s was among the fastest (Stankūnienė, Baublytė, Žibas & Stumbrys, 2016). Eurostat projections suggest that the pace of ageing will continue to be very fast: By 2050, every third person (32.3%) in Lithuania is expected to be aged 65+, and the population above the age of 60 to constitute 39% of the whole population (Eurostat, 2018c).
Additionally, since 1992, the total population of Lithuania has been decreasing significantly by one fourth (24%), reaching a low of 2.81 million at the beginning of 2018. The most rapid decline is observed in the child population and among other younger age groups. The population aged 65+ increased by 32.6% over the same period (Stankūnienė, 2017).

› Pension eligibility requirements

The social insurance old-age pension (hereinafter referred to as the 'old-age pension') is the main type of state social security in old age in Lithuania.[1] Individuals are entitled to the old-age pension if they:

1) have reached the established old-age pension age[2], and
2) have paid pension social insurance contributions for at least 15 years.

Starting from 2018, the obligatory pension social insurance record requirement (number of years one contributes to the pension system) will increase. In 2018, the mandatory record will be 30 years and will be increased every subsequent year until it reaches 35 years in 2027 (Ministry of Social Security and Labour, 2018).

At the beginning of 2017, the share of the population that qualified for the old-age pension accounted for approximately 23.1% of the total population in Lithuania (Official Statistics Portal of Lithuania, 2018a; DELFI, 31.05.2017). This share is decreasing slightly each year on account of the increasing statutory age for the old-age pension. The effective retirement age in 2016 was 66.1 years (when the official age was 63.4 for men and 61.8 for women) and 63.9 years in 2017 (the official was 63.6 for men and 62.0 for women) (Official Statistics Portal of Lithuania, 2018b).

› Employment of older people

Lithuania has, for quite some time, demonstrated

a higher employment level among older individuals than the EU average (Eurostat, 2018d).

	2011	2012	2013	2014	2015	2016	2017
EU-28	31.3	32.6	34.4	36.6	38.3	40.5	32.6
Lithuania	35.8	37.5	37.8	40.9	45.7	50.3	54.0

Table 1: Employment rates by age and citizenship (60-64 years) (%)
Source: Eurostat, 2018d.

	2011	2012	2013	2014	2015	2016	2017
EU-28	4.8	5.0	5.1	5.3	5.4	5.6	5.8
Lithuania	5.1	5.7	5.2	5.7	6.3	7.9	8.9

Table 2: Employment rates by age and citizenship (65 years or over) (%)
Source: Eurostat, 2018d.

As shown in Table 1 and 2, the employment rate of the 60-64 age group in Lithuania was 54.0% (EU-28: 42.5%) and it was 8.9% for those aged 65+ (EU-28: 5.8%) in 2017.

In 2012, nearly 23% of the population in retirement age continued to work. Moreover, work intensity in terms of working hours per week among persons in retirement age who continue to work actually remains the same, namely 34 hours (in 2012) (Skučiene, Bartkus, Moskvina & Uleckienė, 2015). Furthermore, given shorter life expectancy in Lithuania, especially for men, Lithuanians often spend their whole retirement in employment.

Eurostat data shows that in Lithuania, part-time work is the most widespread among older workers (aged 65 and older) in comparison to other age groups in Lithuania. In 2016, the share of older employees working part-time in Lithuania was 35.3% (EU-28: 57.3%) (Eurostat, 2018e). In many OECD countries, there has been an increase in part-time work among older workers associated with measures to prolong working life, such as flexible retirement schemes (Fagan, Norman, Smith & González Menéndez, 2014). People in pre-retirement age in Lithuania are not interested in part-time work to facilitate their smooth exit from the labour market. Individuals working part-time in the 55-64 age group accounted for only 9.6% in Lithuania in 2016 (EU-28: 22.0%) (Eurostat, 2018e). This is primarily due to low wages affecting the amount of their future pensions. In addition, even though the Labour Code stipulates that part-time work entails no restrictions when calculating the length of service, pursuant to the legislation currently in force, one year of service shall be recorded only if the person earns the minimum monthly wages (MMW) for 12 consecutive months. If the person's annual earnings are lower, a proportionally shorter length of service shall be recorded. In January 2018, the MMW in Lithuania was 400 euros. In the second quarter of 2017, average gross wage of part-time workers in Lithuania was lower than the MMW (Gruzevskis and Braziene, 2017).

It should be noted that only 12% of working pensioners in Lithuania stay in employment for non-financial reasons, whereas the average in the EU-28 is almost at 40% (in Norway and Denmark it exceeds 80%) (Skučiene et al., 2015).

Although employment rates for older people are considerably above the EU-28 average, dynamics of unemployment indicators show that older people have difficulties in staying or being re-employed more frequently: Unemployment among people aged 50 and over is growing, while the overall unemployment rate in the country is falling. On 1 January 2018, there were 61,900 people above 50 registered with the Lithuanian Labour Exchange. They accounted for 40.6% of the total unemployed population and the registered unemployment for this age group was 11.6% (Lietuvos užimtumas, 2017). Moreover, older people are far more often in precarious employment (Gruzevskis and Braziene, 2017), frequently use flexible forms of employment or take less paid jobs. According to the overall 2014 Active Ageing Index, Lithuania ranked 20th out of the EU-28 (UNECE, 2017) with continuous improvement since 2010. In Lithuania, older people seem to be participating more in the family domain than in voluntary activities.

› Lifelong learning

The level of lifelong learning (of people aged 25 to 64) is low in Lithuania compared with the other EU countries: In 2016, it was 6% compared to the EU average of 10.8%. The level of lifelong learning was particularly low in rural territories with 3.7% in comparison to 7% in urban areas (Ministry of Social Security and Labour, 2017).

In order to strengthen learning opportunities for older people, the Lithuanian Government implemented the EU project 'Development of the adult education system by providing key competences to learners' for 2016-2020. The project activities included training administrative staff and other representatives from

the Third-Age Universities (TAU) system in Lithuania under the following course units: 'Adult civic education', 'Adult financial education', 'Healthy living', 'Legal literacy', 'Adult computer literacy' and 'Artistic training'.

› Health, life expectancy and poverty in old age

Despite notable improvements in health during the last 10 years, mortality in Lithuania still persists at unacceptably high levels, predetermining relatively low levels of life expectancy in comparison to other EU countries: According to the estimates for 2016, life expectancy at birth for males was 69.5 years, whereas the corresponding figure for females was higher by 10.5 years (80.0 years) (Statistics Lithuania, 2018). For males, it was the lowest life expectancy indicator among the EU-28. Lithuanian females had only a slightly better position (24th out of the EU-28 countries), ranking above Latvia, Hungary, Romania and Bulgaria (Eurostat, 2018f). Male mortality is a matter of particular concern because male life expectancy in 2016 was only slightly better than the level in the mid-1960s or mid-1980s. Life expectancy at birth of Lithuanian males remains almost nine years lower than the EU average; significant disadvantage persists even compared with other central and eastern European countries (Czech Republic, Estonia and Poland). The unfavourable mortality situation is related to the distorted age- and cause-specific pattern of mortality inherited from the Soviet period. The key features of this pattern include elevated premature mortality due to cardiovascular diseases, external death causes and alcohol-related causes of death. According to the SILC (Statistics on Income and Living Conditions) survey based estimates for 2015, the expectancy of healthy life years at birth for Lithuanian males and females was as low as 54.1 years and 58.8 years (Eurostat, 2018g).

Poverty rates of older people remain high in Lithuania. In 2016, more than one-fourth of the population aged 65 and older (27.7%) were living below the risk-of-poverty (Table 3) (Eurostat, 2018h). The average old-age pension in 2016 was 255 euros, which is below the at-risk-of-poverty threshold of 282 euros. In 2017, the average old-age pension awarded to individuals with the qualifying length of service amounted to approximately 287.07 euros. The average old-age pension is around 40% of the national average wage (net) (compared with the EU average of more than 50%). Older people are at greater risk of poverty in large cities, especially if they are single (Ministry of Social Security and Labour, 2017).

	2008	2009	2010	2011	2012	2013	2014	2015	2016
EU-28			16.0	15.9	14.5	13.7	13.7	14.1	14.6
Lithuania	31.0	23.9	9.6	9.7	18.7	19.4	20.1	25.0	27.7

Table 3: At-risk-of-poverty rate by age – EU-SILC survey (65 years or over)
Source: Eurostat, 2018h.

There is noticeable age discrimination in Lithuania. A Eurobarometer survey in 2015 (Eurobarometer, 2015) showed that Lithuanians consider age discrimination to be one of the main types of discrimination (together with discrimination based on sexual orientation). Age discrimination was indicated by 50% of Lithuanian respondents. According to the Eurobarometer survey of 2012 (Special Eurobarometer 393, 2012), this type of discrimination was indicated by 59% of Lithuanian respondents. Although this indicates improvement of the situation, the level of discrimination remains rather high in the country (in 2015, the EU's indicator was 45%). Lithuanian respondents identified age discrimination as dominant by different features of discrimination (higher probability of losing a job, lower probability of getting a job, higher probability of lower wages).

› Policy initiatives

In order to enhance the labour market participation and social inclusion of older persons, an 'Action Plan of Motivation of Older People and Promotion of Voluntary Activities (2016-2020)' was approved by the Ministry of Social Security and Labour in 2016. Implementation of the Action Plan includes such activities as involvement of older persons in voluntary activities, guidance and motivation of older persons, self-esteem development, training of generic competences of older persons, i.e. through the organisation of training, awareness raising and information activities.

On 2 January 2015, the Lithuanian Labour Exchange started a project called 'Support for unemployed older people' funded from the EU structural funds and Lithuania's state budget. The project ended on 31 March 2018. It had planned that 14,000 unemployed older people registered with local (territorial) labour exchange offices would participate in

the project implementation and use the opportunity to be active participants in the labour market: 6,200 project participants were offered the opportunity to acquire a new qualification or to improve their existing competences (measure: vocational training), 7,680 project participants were offered the opportunity to re-enter the labour market through subsidised employment (paying wage subsidies to the employer) and 120 project participants who found jobs farther from home were reimbursed for travel and accommodation costs (measure: promoting territorial mobility of the unemployed) (Liuberte, Inga, personal communication, March 16, 2018).

A new European Structural Funds project called 'Use the opportunity' was launched in 2018. The project aims at increasing opportunities for people aged 54+ to integrate and settle in the labour market. In addition to vocational training, there is a new measure offered – recognition of competences acquired through non-formal and informal education (Liuberte, Inga, personal communication, March 16, 2018).

The drafting of the Strategy for Demographic Policy 2018-2030 began in Lithuania in mid-2017. One of the key objectives of the Strategy is to facilitate effective inclusion of older persons into society. The foreseen measures include increasing employment rates for older people, e.g. through reducing social insurance contributions for retirement age employees working in areas (regions) with high unemployment; enable longer (including non-pay) vacations for retirement age employees in the public sector; and, through developing vocational training programmes for the elderly according to local labour market needs. In addition, various forms of social activity, development of social services and institutional support for older people are planned (Seimas, 2018).

› Conclusions and recommendations

Summarising the above material, we should point out that Lithuania in 2005, according to the population ageing process, still belonged to a group of stable countries (the population of 65 years and older was 16% of the total population), but due to very intensive emigration, it will become one of the oldest countries in the EU by 2040.

Employment of older workers in Lithuania is above the EU-28 average, but representatives of this group more often face discrimination in the labour market, work part-time and are at risk of poverty. Although ageing issues are receiving increasing attention and financing from the Lithuanian Government, in our view, efforts in this area must be intensified even more.

Therefore, it would be appropriate to include the following short-term priorities:

1) Provide tax privileges for self-employed persons working past their retirement age, particularly by reducing taxes for one or two years for those who are only just entering self-employment;

2) Reduce taxes for older employees (aged 55+ or 60+) in creative jobs (artists, reporters, etc.);

3) Set up business incubators for older people;

4) Increase funding (including from European Structural Funds) for the activities of non-governmental organisations of older people, to develop a network of such NGOs and diversify their functions;

5) Promote volunteering among older people (in particular among seniors), develop a national databank of volunteer opportunities in old age;

6) Enhance participation of older people in decision making at the municipal level;

7) Considerably increase the overall awareness-raising of the public about population ageing issues, since a dignified and happy old age can be ensured only if relevant steps are taken in young age.

With a view to improving active ageing opportunities in Lithuania in the future, it is appropriate to enhance opportunities for people in retirement age to stay in the labour market, improve the accessibility of adult learning programmes and free-time activities for them. It should be noted that one of the main challenges during the ageing of the society is the necessity to ensure complex solutions to the arising problems.

Footnotes

[1] After the start of the pension accumulation system in 2004, the general pension system in Lithuania has the fol-

lowing constituent parts:
- State social insurance pension (the main pillar);
- Pension accumulation for old-age from social insurance contributions in pension funds (second pillar, supported by state);
- Supplementary accumulation for pensions in life insurance companies or pension funds (third pillar, voluntary).

[2] In Lithuania, the retirement age for men was 63.8 and for women 62.4 years in 2018. The retirement age will be raised to 65 for both men and women by 2026.

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Norway

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› High employment rates among older Norwegians

Employment rates among the older age groups are, in international comparison, high in Norway. In the age group 55-64, 72.6% are employed compared to the OECD (Organisation for Economic Co-operation and Development) average of 59.2% (OECD, 2017). Among younger age groups, Norway is closer to the OECD average. Norway ranks high, particularly among older women (69.5%), and is one of the top five countries in employment rate of 55-64-year-olds, only behind Iceland, Sweden and New Zealand. In the oldest group (65+), Norway is also above the OECD average with an employment rate of 18.7%, compared to 14.1% (OECD, 2018). Unemployment in the older age groups in Norway is the lowest among OECD countries, only 2.0%, compared to the OECD average of 4.6% (OECD, 2017).

In accordance with international trends (OECD, 2006), policies in Norway are in favour of a late exit from work. Differing from some other countries (e.g. Denmark in the 1980s) that implemented early exit to alleviate youth unemployment, Norway has never had an explicit early exit policy. However, since 1989, there has been a negotiated early exit scheme (AFP) intended for worn-out workers. The intention was not to alleviate youth unemployment by encouraging older workers to leave their jobs, but to give worn-out older workers the option of a dignified exit from working life, without being subject to the more degrading disability pension system. However, because 'being worn-out' was not an eligibility requirement, workers who preferred an early exit for various reasons, utilised this scheme. The incentive structure of the AFP-scheme favoured early exit.

› The 2011 pension system reform

Recently, from 2010 to 2017, employment rates increased from 62.9% to 67.6% for men aged 60-64 years and from 54.8% to 60.5% for women (Statistics Norway, 2018). The high point was reached in 2015 and 2016, whereupon there are signs of a levelling off. Probably, the single most important factor behind the rise in employment among the 60-64-year-olds is the pension reform effective beginning in 2011. The reform includes the abolition of the income test in the National Insurance Scheme. Starting at age 62, workers may receive their pension and at the same time earn as much income from work as they want. As of now, the option starting at age 62 to combine full job and pension is only available in the private sector. For the public sector, it has been agreed upon to implement similar reforms in 2020. In both sectors, pension benefits are adjusted to changes in life expectancy as the annuity is reduced when life expectancy increases. By postponing their pension take-up, older workers may counteract the effects of life expectancy adjustment. Thus, the new pension system from 2011 contains strong incentives to work until a higher age. Pension rights in the National Insurance Scheme may be earned until the age of 75. However, in the Working Environment Act, the age of 72 is a legal ground for dismissal, leaving 72 as a mandatory retirement age in the private sector, as compared to 70 years of age before 2015. This raise in mandatory retirement age was implemented to support late exit. Any possible effect is not yet discernible. Such effects of the reform may be diluted by the public sector being exempted and by the option for private sector companies to set their mandatory age to 70, as in the public sector.

Broadly, the pension reform from 2011 introduced a pension period (formally between the ages of 62-75, in practice for most workers, 62-70 or 72) rather than a default pension age. Up until 2011, the official retirement age used to be 67 years of age. Since 2011, 62 is the earliest possible age for claiming old-age pension from the National Insurance Scheme. As workers may claim their pension and continue working at the same time, the age of retirement is more complicated to determine than before 2011, when retirement most often meant quitting one's job and then beginning to claim one's pension. The option of claiming one's pension and continuing to work sim-

ultaneously seems to have contributed considerably to the increase in labour force participation among those 62 and over, particularly among workers with a low education (Nordby & Næsheim, 2017).

The pension reform in 2011 changed the incentive structure in the pension system with the aim of encouraging late exit. After a transitional period, workers in need of early exit will be subjected to lower pensions and poorer living conditions than the preceding cohorts of workers retiring early. This illustrates the dilemma of how the same system can serve groups with opposite interests.

› Tripartite cooperation through the 'IA agreement'

In addition to the pension reform of 2011, the policy for extended working life includes a tripartite 'Letter of intent regarding a more inclusive working life' (the IA Agreement), effective beginning in 2001 and currently valid until the end of 2018 (IA Agreement, 2014). The agreement between employers' organisations, unions and the government at the national level is supplemented by agreements on the company level between management, representatives of the workers and the local labour market authorities. The objectives are to counteract sickness absence, promote employment of functionally disabled persons and to increase the average age of exit. Whether it is an effect of the IA-agreement or not, average exit age of workers 50 years and over has increased from 63.7 years in 2001 to 65.0 in 2009 and 65.8 in 2016 (Haga & Lien, 2017). Methods for calculating average exit age differ internationally, and averages are not always comparable (Haga & Lien, 2017). However, the time series presented above for Norway clearly indicates an increase in the average exit age over this period of time.

› Mismatch between the preferences of older workers and employers

Increasingly, older workers prefer a later exit from work. This observation is based on the Norwegian Senior Policy Barometer (Ipsos, 2017a). Data are collected annually from 2003 on and include two separate barometers, one for managers and one for employed persons aged 15+. After the pension reform in 2011, increasing proportions of employed persons preferred a late exit, and in 2017, 45% preferred to exit the labour force at 67 or later, and on the average at age 66 (Ipsos, 2017b).

On the employers' side, their interest in recruiting older workers or 'seniors' increased from 2003 to 2008 (Solem, 2012). Thereafter, managers have become less interested, both in recruiting and in retaining older workers and seniors (Ipsos, 2017a). Thus, a mismatch emerges. Older workers seem to respond well to the political ideology of late exit, while employers seem to be falling behind. Thus, a further increase in labour force participation in high ages seems to be more dependent upon positive changes in the willingness of employers to include older workers in their workforce than on encouraging older workers to prefer a later exit. The labour market seems less than enthusiastic about embracing as many older workers as the ageing of the population may require in the years to come. The reasons for this reluctance is not obvious. Possible explanations are that the employers lack incentives for recruiting and retaining older workers, that their conceptions about older workers are misleading or that they possess negative sentiments towards older workers. The financial crisis in 2008 may have also reinforced negative attitudes towards older workers.

Some years ago, the Norwegian government implemented financial incentives for employers. From 2002 to 2007, the payroll tax was substantially reduced for employees aged 62+. The desired effect did not appear and the incentive was consequently abolished. The question is then: Why are employers reluctant to recruit older applicants and increasingly less interested in retaining older workers when downsizing is needed? One element may be a belief that older workers are more expensive, are more absent from work and are less productive. Research has put doubt into such assumptions and also in the Norwegian Senior Policy Barometer (Ipsos, 2017a), eight out of ten managers completely (54%) or partly (27%) agree that employees above 60 perform at least as well as younger employees. But simultaneously, employers hesitate to call in applicants if they are above an average of 58.5 years (Ipsos, 2017a). Thus, negative conceptions about older workers' performance does not seem to account fully for the reluctance to recruit older workers. Possibly, instinctive negative emotions about ageing, older persons and about older workers may be involved.

› Does ageism play a part?

If the conceptions managers have about older workers are stereotypes and the sentiments are prejudices, age discrimination is a probable result. These are the three elements often included in definitions of ageism: Stereotypes (fixed and most often negative opinions), prejudices (preformed, automatic emotional reactions) and discrimination (treating people differently due to age alone) (Iversen, Larsen, & Solem, 2009). Research shows that age discrimination takes place in working life. However, the prevalence is difficult to establish (Solem, 2016). The extent to which ageism and age discrimination are components in the employers' low interest in older workers needs to be further explored. The cognitive element does not seem to be consistently stereotypical, while there are indications that the affective elements might be prejudiced more often (Solem, 2016). Thus, it may not be sufficient to furnish employers with positive facts about ageing workers. If employers implicitly dislike older workers, or ageing itself, gut feelings may lead to, e.g., quick automatic rejection of older applicants. By taking time to reflect on their own affective reactions to older workers, employers may reach more rational decisions.

Ageism may occur at various levels, between leaders and members, between age groups in the work place, by clients and customers towards older employees, and in the working conditions and work environment. Structural ageism may even be part of the labour market and pension system. Mandatory retirement age is one example of structural ageism, as workers reaching the mandatory age are fired due to chronological age alone. By being part of the Work Environment Act, mandatory retirement age is a legal form of ageism in Norway, as in most other countries.

As working life is constantly changing, workers need continuous training and retraining. When retirement is approaching, and the future career perspective shrinks, both managers and older workers themselves may expect less participation in such training and retraining activities. Since older workers take part less often in training at the workplace, updating of the ageing workforce is a challenge, in Norway as in other countries. The dynamics of gradual disengagement may be reinforced both by managers' stereotypes and by prejudices concerning older workers, and also by the stereotypes older workers' have of themselves about their learning capacity. Since options for training advance late exit, finding ways to break up the anticipatory withdrawal, often occurring years in advance, may support late exit or 'fuller' working lives for all up until retirement (Phillipson, 2018).

› The Centre for Senior Policy advocates good practice

In Norway, a tripartite agency called the Centre for Senior Policy (CSP) (www.seniorpolitikk.no) gives advice to companies, unions, older workers and labour market authorities about ageing in working life and age management, with the objective of promoting seniors in working life. The agency encompasses 30 member organisations representing primarily the social partners, i.e. employers, employees and ministries. In addition, research and adult education are represented in the CSP. The Ministry of Work and Social Affairs ensures funding. The Centre has produced guidelines for implementation of senior policy in companies. They insist that how the companies create their senior policy, i.e. by cooperation with older workers themselves, is more important than the measures they end up with and implement. Nevertheless, the CSP distributes booklets with examples of good practice. One of the examples is Siemens, the international technology company that has 1,800 employees in Norway. Siemens conducts milestone dialogues with their seniors in two stages, first at age 55 and then again just after 60. Before the second dialogue, the seniors are invited to a three-day senior course, with the goal of inspiring the seniors to stay at the company and to get the best out of their senior career. Needs for training or for adaptations in the working conditions are discussed. The Human Resources department emphasises the training of line managers on senior policy. Of more practical measure, from 60 on, workers are given two hours a week off with pay for physical training, and from age 64, two weeks extra holidays with pay. These two weeks are in addition to the one extra week of holidays that Norwegian employees aged 60+ are entitled to by law.

› Policy recommendations

- There is a need for stimulating employers to recruit older workers. Attention to and research about affective elements of ageism in working life should be augmented.

- Financial incentives and practical systems for lifelong learning and adult education should be assessed with special attention to older workers, all through to retirement.

- There is a need to explore the balance in the pension system between stimulating late exit, on the one hand, and supplying satisfactory pensions to workers in need of early exit, on the other.

- Further attention should be given to possible effects of mandatory retirement at a fixed age, and abolishing mandatory retirement age should be explored.

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Poland

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Active ageing is a significant challenge in Poland since it is among the countries with the lowest rankings on the Active Ageing Index (AAI): In 2012, it was ranked 25th out of the 28 European Union (EU) countries when taking into account the employment sub-index (Zaidi & Stanton, 2015). Between 2010 and 2018, the overall ranking of Poland improved slightly, mainly related to the increase in the employment of older workers, as well as the improved assessment of capacity and enabling environment for active ageing, which covers aspects such as health and life expectancy, mental wellbeing, social connectedness, use of information and communications technologies (ICT) and educational attainment. But despite these changes, Poland is still at the bottom of the active ageing ranking (UNECE, 2017).

Since the early 1990s, Poland has been struggling with the challenge of increasing employment levels among older workers. Early retirement policies have been common in Poland since the 1980s. First, they served as a means to ease social tensions during the final years of the centrally planned economy. Then, at the beginning of economic transition, early retirement was seen as a solution to the excess workforce, whose skills could not be adjusted to the changing needs of the labour market. These policies led to the common expectations that early retirement is a norm, rather than an exception.

Population ageing and the shrinking of the labour force made these policies unsustainable. Therefore, during the first years of the new century, there has been a shift in policies aiming at increasing effective retirement age, as well as increasing labour market participation of older workers.

› Labour market situation of older people

The employment rate of older workers in Poland is considerably lower than the EU average (Figure 1). The difference between the EU average is larger for women than for men, which can be attributed to some extent to the lower retirement age of women. From around 2005, after many years of decline, the employment rate of workers in the 55-64 age group started to increase, both in response to the improving situation in the labour market and the retrenchment of access to early retirement. Despite this improvement, the gap between the EU and Polish average remains substantial.

Figure 1: Employment rate of people in age group 55-64: Poland vs. EU-28 Figure 2. Unemployment rate of people in age group 55-64: Poland vs. EU-28.
Source: Eurostat database [lfsa_ergan] [lfsa_urgan], extracted on 25 March 2018.

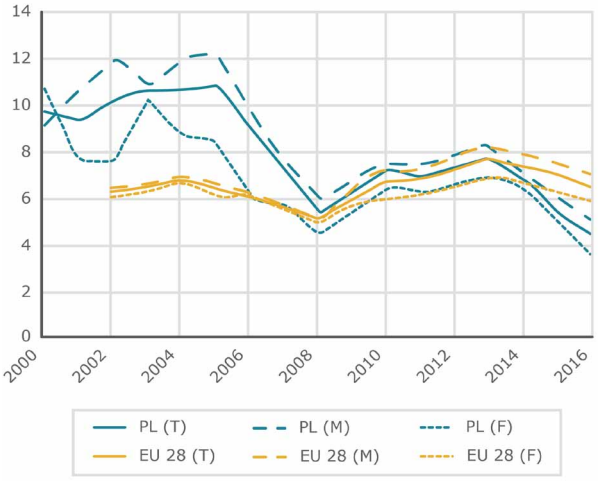

Figure 2: Unemployment rate of people in age group 55-64: Poland vs. EU-28.
Source: Eurostat database [lfsa_ergan] [lfsa_urgan], extracted on 25 March 2018.

The unemployment rate among workers in age group 55-64 in Poland in recent years is below the EU average (Figure 2). It was much higher at the beginning of the century and started to fall around the time when Poland joined the EU, when the labour market situation improved. By the time of the 2008 crisis, it reached the EU average and remained at the average level until 2013. Beginning in 2014, it started to fall faster than in the EU.

Both employment and unemployment rates indicate an improving situation for older workers in the labour market in Poland. However, the pace of this improvement is similar to the developments in the EU. As a result, there is a persistent gap that remains a challenge. Given the long-term demographic trends leading to the shrinking size of the working age population, lower than average employment rates of older workers, particularly women, remain a challenge for the labour market and social policies in Poland.

› Official and effective retirement age

Currently, the legal retirement age is 65 years for men and 60 years for women. In 2012, the government initiated the gradual increase and equalisation of the retirement age to the level of 67 years (an increase of a quarter of a year, every year). However, in 2016, the new government reversed this change. As a result, in October 2017, the retirement age was reinstated to the previous level. This change will have significant consequences for the adequacy of pensions, particularly for women (see also Chłoń-Domińczak and Strzelecki, 2013).

As highlighted at the beginning, the effective retirement age in Poland used to be much further below the legal retirement age because of widespread access to early retirement. Following the implementation of the new pension system (introduced in 1999), the so-called bridging was implemented in 2009 as a transitory solution allowing workers to retire early who have work conditions that follow definitions developed on the basis of work medicine and who started their employment prior to 1999. According to the estimates, around 2.5% of workers are eligible for these benefits in the future. Based on the same regulation, coming into force in 2009, options for early retirement due to long service periods at age 55 for women and 60 for men[1] were removed from the pension system. Change in the access to early retirement caused an additional inflow to the pension system around 2008–2009, as many workers decided to claim their accrued benefits at the time of change.

After 2009, the average effective retirement age increased both for men and for women (Figure 3). By the same token, the dominant age group of retirees shifted to 65-69 for men and 60-64 for women. By 2016, the effective retirement age for women was equal to the legal one. In the case of men, the difference remains, as miners and those that had long work experience (transitionally) still retire early. The 2017 decline of legal retirement age resulted in the peak inflow of new retirees, amounting to 417,000 people, a number not seen since early 1990s.

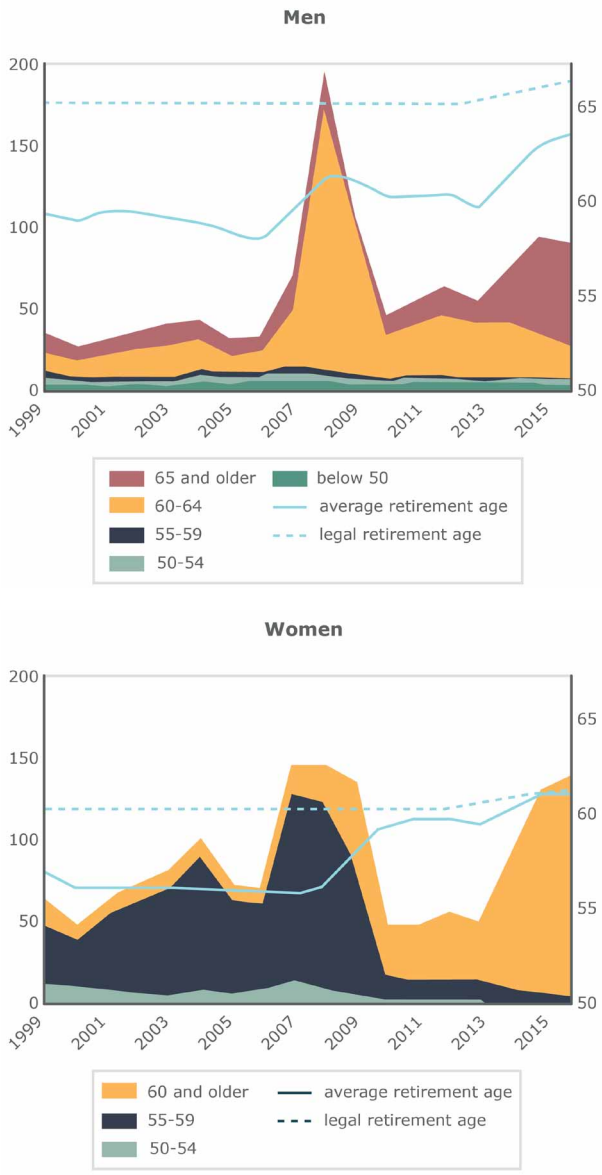

Figure 3: Inflow of new retirees by age and average retirement age.
Source: Authors' calculation based on the ZUS data.

Results of the Survey of Health, Ageing and Retirement in Europe (SHARE) in Poland indicate that

workers about 50 years of age want to retire early. Among those who are below 60, 55% of working men and 47% of working women declare that they would like to retire as soon as possible, and among those above 60, these shares are 56% and 36%. It should be noted that the majority of women above 60 have already reached retirement age and continue to work because of the need or preference to work (Chłoń-Domińczak, Holzer-Żelażewska, & Maliszewska, 2017).

› Pension system

The largest pension system in Poland covers employees and those self-employed. Following the 1999 pension system reform, the system is based on the defined contribution principle. Each insured person has up to three individual pension accounts in the mandatory system. The unfunded national defined contribution (NDC) scheme is administered by the Social Insurance Institution (ZUS, Zakład Ubezpieczeń Społecznych) and consists of two accounts. Pensions are calculated by dividing the value of these two accounts by unisex life expectancy at retirement age, which provides incentives for longer working lives.

As indicated by Malec and Tyrowicz (2017), the governments return to the lower retirement age (60 for women and 65 for men) will decrease future pension benefits because of lower accumulated contributions and longer pension disbursement periods. The reduction of pensions will be the highest for high-earning workers, whereas others will experience a smaller reduction mainly due to the minimum pension benefit entitlement. As a result, the share of minimum pensions benefits is expected to double, in comparison to the baseline scenario of pension eligibility age of 67. Consequently, public pension expenditure will increase, while fiscal revenues will fall. A lower retirement age will also reduce GDP per capita by 7% compared to the baseline scenario when retirement eligibility is at 67 years for both men and women.

› Active ageing in Poland: Challenges, potentials and opportunities

There are still many challenges in the area of active ageing in terms of increasing the level of employment of older people in Poland. Recent policy changes, including the reversal of the retirement age increase and the return to low retirement ages differentiated by sex, discourage longer working lives, but also affect the perception of older workers and their potential in the labour market, particularly in the case of women.

Training

Participation in adult education and training in Poland is one of the most important challenges for all people of working age (18-64 years) with a participation rate of 10.4% (within the period of four weeks preceding the survey) compared to 16.6% in the EU-28 countries. This difference is higher for workers in the age group 55-64: While around 6% of people in this age group participated in education and training in the EU-28, only around 1% of those in Poland did so. The gap between Poland and the EU average is increasing, due to the stagnant situation in Poland compared to rising educational activity in the EU.

Job satisfaction

Work conditions and job quality are one of the important aspects of maintaining employability and promoting longer working lives of people in the age group 50 and over. There is a strong relationship between the worsening of health status and unsatisfactory work conditions (Siegrist, Von Dem Knesebeck, & Wahrendorf, 2005) and job satisfaction has a direct or indirect impact (through the health status) on the decisions to finish working careers and retire (Börsch-Supan et al., 2008). Based on SHARE data, Chłoń-Domińczak et al. (2017) identified four clusters of older workers: Satisfied, tired with routine work, tired with physical work and unsatisfied. They showed that there is a strong, positive correlation between job satisfaction and the employment rate of older workers. In Poland, the share of workers in the age group 50-59 who are in the cluster of satisfied (9.2%) is one of the lowest among the SHARE countries (for example, in Sweden it is 37.2% and in Germany 27.9%).

Health and life expectancy

The health status of the Polish population in the age group 50+ remains another challenge for public policy in Poland (Magda & Kiełczewska, 2017). SHARE Wave 6 data shows that the health status of the population 50+ in Poland is worse compared to the other EU countries. In Poland, the share of men (22%) and women (23%), who are assessing their health status as bad, is on average three times as high as in other EU countries. Furthermore, in Poland, people declare more often that they have long-term health prob-

lems (65% of men and 65% of women).

These results are consistent with the assessment of healthy life years at 65 (Figure 4). While the EU average in 2015 was 9.4 years for both men and women, in Poland it was 8.4 years for women and only 7.6 years for men.

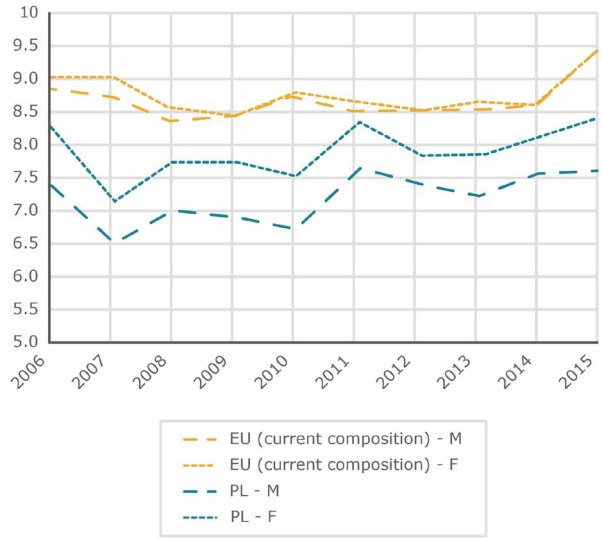

Figure 4: Healthy life years at 65 in Poland and the EU
Source: Eurostat (2016) (extracted on 29 March 29 2018).

Reducing early retirement and increasing employment of older workers: Programme 50+ in Poland

Comprehensive policies aiming at reducing early retirement and prolonging working lives were introduced in Poland during the first decade of the century. From 2009, the new regulations replaced the early retirement scheme in the old pension system that granted generous access to benefits through wide definition of jobs in hazardous and ardours conditions, as well as for those who have very long work experience reaching 30 years for women and 35 years for men (Chłoń-Domińczak, 2016). Since 2009, early retirement due to work conditions can be claimed by people working in hazardous and ardours conditions newly defined in the Act on bridging pensions, i.e. when their health status can worsen significantly if jobs are performed until official retirement age or jobs require high psychophysical conditions that worsen with age and people are responsible for health and lives of other people. Changes in early retirement were accompanied by a government programme "Solidarity of generations 50+" that included a series of measures supporting employment of older workers. These included reduction of labour costs for employers, targeted programmes for the unemployed and job seekers, and promotion of age management among employers.

As shown in Figure 5, these policies led to a sharp reduction of people receiving early retirement benefits – from more than 1.5 million people in 2008 to less than 0.5 million in 2017. At the same time, the employment rate of workers in age group 55–64 increased to the highest level observed in the last two decades.

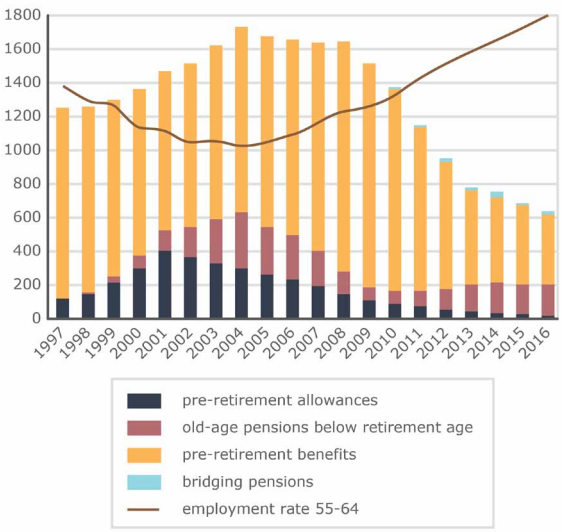

Figure 5: Number of early retirees and employment rate of older workers in Poland
Source: Author's analysis based on ZUS data (beneficiaries) and LFS (employment rate).

Overall, the Polish experience in reforming early retirement, including the one in arduous and hazardous conditions can be seen as an example of efficient policy intervention (Chłoń-Domińczak, 2016). This was a combination of series of factors, such as:

- Co-operation with medical experts and use of evidence in reform proposal;
- Integrated approach combining measures in pension policy and employment policy;
- Comprehensive approach limiting all potential routes to early retirement.

Policy recommendations

Despite the observed improvements in the employment rate of older workers, Poland's position in the active ageing ranking in Europe remains very low and the need for increasing labour market activity of people 50+ in Poland is high. This is particularly important in the light of foreseen population ageing and resulting decline of the working age population.

Given this challenge, one of the most important policy recommendations is to raise and equalise legal retirement age in Poland. Recent reversal of the retirement age increase to 67 years goes in the wrong direction. It led to an increased number of pensioners and withdrawal from employment. The employment rate among people in the age group 55-64 in Poland declined from 49.4% in the 3rd quarter of 2017 to 48.5% in the following quarter and 47.6% in the 1st quarter of 2018, which is a reversal of the trend observed from 2008. At the same time, the EU average employment rate in the same age group increased from 57.5% to 57.8% (Eurostat, 2018). This means that the employment gap among older workers is increasing. Equalisation of retirement and its gradual increase should be implemented as soon as possible.

A raise of the retirement age needs to be accompanied with a set of complimentary labour market policies. Among the key conditions that could support extending working lives are an improvement of work conditions of older workers, reducing the need for physical work and increasing the scope for deciding on the organisation of one's own work, as well as improving access to education and training, providing support at work and adequate wage levels.

Continuous assessment of the comprehensive situation of older people at national and regional levels, including the assessment of recent policy changes including reversal of retirement age increase, should be conducted to provide evidence for policy improvements in the future.

Footnotes

[1] This possibility was introduced only in 2006, following the sentence of the Constitutional Tribunal, which explains part of the high peak in men claiming pensions in 2007-2009.

[2] There are also separate systems for farmers (KRUS), armed forces (police, military etc.), judges and prosecutors.

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Russia

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Russia's population is expected to age significantly over the next few decades as the World Bank (2015, p. 7) warns: 'Declining fertility, increasing life expectancy, and the retirement of the large numbers of people born in the 1950s are expected to reduce the working-age population by perhaps 14 percent over the next 35 years. If there is no change in labor force participation (LFP) rates, Russia's workforce could decline by more than 20 million workers, and the dependency ratio could rise by more than 50 percent.'

The ageing of the Russian population is, however, unique in its own way: Common measures (like the proportion of the population at ages 60+ or 65+) show a delay of ageing for three to four decades in comparison with the Western European countries; and in regard to life expectancy, Russia is lagging behind even more (Denisenko & Varshavskaya, 2017; Vishnevsky, Vasin, & Ramonov, 2012). It is no wonder that neither an official definition of active ageing, active ageing action strategies, nor a specialisation in geriatrics within the healthcare sector existed until recently. Political discourse on ageing was focused mostly on outcomes for public pensions (Sinyavskaya, 2015). Nevertheless, looking at the Active Ageing Index, Russia still managed to be in a position that was not too far behind: 18th out of 29 European countries, and even better in terms of economic participation – 15th (Varlamova, Ermolina, & Sinyavskaya, 2017). This study revealed Russia's strengths and weaknesses in the realm of active ageing. The main achievement – 'an extremely high level of educational attainment' (Ibid., p. 58) – co-exists with very low scores in lifelong learning and use of information and communications technology (ICT). The main failure is in the domain of 'Independent, Healthy and Secure Life', which also includes low access to health and dental care in Russia. At the same time, in spite of Russian seniors having very poor health, Russia was the best among 29 countries based on the indicator of 'the share of healthy life years in the remaining life expectancy at age 55' due to the very low life expectancy at this age.

› Employment and unemployment of older people

Since the 2000s, the participation rate of the older workers (ages 60-72) in Russia has increased along with the rapid growth in real wage and a still more rapid growth in the GDP (Ivanova, Balaev, & Gurvich, 2017). In 2008-2010, the crisis and a sharp pension increase brought about a reduction in participation rates. Subsequently, the participation rates for women resumed their growth to exceed the pre-crisis level, whereas the male participation rates almost did not change. In 2016, the participation rate of the age group 60-64 was 39.4% for men and 27.2% for women, in the age group 65-69 these shares were 17.3% and 12.7%, respectively. Thus, these numbers are significantly lower than the corresponding OECD (Organisation for Economic Co-operation and Development) averages, particularly for Russian men (Table 1).

Although the gender differences have decreased, it has remained substantial: In 2016, the effective age of retirement for men was 2.9 years higher than for women (Table 1). Still, compared with the OECD countries, the Russian values are low: Withdrawal from the labour market in Russia occurs about two years earlier for men and three years earlier for women. This early withdrawal is due to the sharp decline in participation rates above age 55 for women and 60 for men. Generally at younger ages, Russia performs better, but worsens with age relative to the OECD countries. This pattern shapes the specificity of the Russian labour force participation age profile. The participation rates at older ages are most of all the result of the official age of retirement. In Russia, it has remained low: 55 for women and 60 for men. This essentially explains the difference of the Russian situation from that in the OECD countries, as well as the specificity of the Russian labour participation age pattern and its gender features.

Men

	EAR	Labour force participation rates, %				
		45-49	50-54	55-59	60-64	65-69
Russia	63.2	93.6	90.1	79.6	39.4	17.3
OECD	65.1	91.7	88.1	81	60.6	33
Difference Russia - OECD	-1.9	1.9	2	-1.4	-21.2	-15.7
Russia's rank	23	10	14	25	30	23

Women

	EAR	Labour force participation rates, %				
		45-49	50-54	55-59	60-64	65-69
Russia	60.3	91.6	85.7	53.9	27.2	12.7
OECD	63.6	74.9	71	63.3	42.4	20.2
Difference Russia - OECD	-3.3	16.7	14.7	-9.4	-15.2	-7.5
Russia's rank	32	5	8	31	26	18

Table 1: The effective age of retirement (EAR) and labour force participation rates for selected age groups: Russia and the OECD average, 2016
Source: OECD. Ageing and Employment Policies – Statistics on average effective age of retirement. http://www.oecd.org/els/emp/average-effective-age-of-retirement.htm.; OECD. Labour Force Statistics. LFS by sex and age – indicators. Labour force participation rate. https://stats.oecd.org/Index.aspx?QueryId=64197; Author's calculations based on Russian Labour Force Survey. Microdata file: http://www.gks.ru/free_doc/new_site/population/trud/bd_ors/bd_ors.sav.

But are the participation rates in Russia really so low when we consider the differences in the normal retirement age? If the retirement age is to be assumed to be the point of reference, Russia belongs to the group of countries in which the effective age of labour market exit is higher than the normal pensionable age. In Russia, this difference is one of the biggest compared to the OECD countries (it ranks 7th for men and even 4th for women in 2016 (OECD, 2017)). From this angle, both the effective age of retirement and participation rates in Russia do not look so low and withdrawal from the labour market does not appear too early.

Labour force participation of Russian pensioners is characterised by their involvement in the informal economy sector. In general, informal employment in Russia is considered as fairly high. Although its estimates widely vary, its expansion, including the period of economic growth, is evident. For older workers, its role is particularly important: Above age 60, the proportion of informal workers among all those employed is higher than that for the age group 30-59 (25.1% versus 20.4%). Moreover, at older ages, the share of informal workers is growing sharply: From 18.7% at ages 55-59 to 22.3% at 60-64 and to 33.5% at ages 65 and over . Lastly, informal employment provides work to pensioners who are employed only episodically (Gimpelson & Kapeliushnikov, 2013a).

In Russia, levels of unemployment at older ages are lower than at other ages and are regarded as low (Ivanova et al., 2017; Lyashok, 2017). After the period 2008-2009, unemployment rates among older workers were reduced to the pre-crisis level and have not changed since then. In 2016, they were below the OECD average in the age group 55-64 for men and in the age group 50-64 for women (Table 2).

Men

	50-54	55-59	60-64	65-69
Russia	4.7	4.7	3.6	3.4
OECD	4.7	5	5	3.1
Difference Russia - OECD	0	-0.3	-1.4	0.3
Russia's rank	16	19	28	8

Women

	50-54	55-59	60-64	65-69
Russia	4	2.8	3.1	3.3
OECD	4.7	4.3	3.8	2.4
Difference Russia - OECD	-0.7	-1.5	-0.7	0.9
Russia's rank	23	30	19	9

Table 2: Unemployment rates for selected age groups, Russia and the OECD average, 2016, %
Source: OECD. Labour Force Statistics. LFS by sex and age – indicators. Unemployment rate. https://stats.oecd.org/Index.aspx?DataSetCode=LFS_SEXAGE_I_R ; Author's calculations based on Russian Labour Force Survey. Microdata file: http://www.gks.ru/free_doc/new_site/population/trud/bd_ors/bd_ors.sav.

However, due to the difference in the retirement age between Russia and the OECD countries, the issue of compatibility arises again. Once individuals have reached the age of retirement, there is a decline in the unemployment rate. In Russia, retirement happens at earlier ages, which results in unemployment levels for women aged 55-59 and men aged 60-64 to be some of the lowest relative to the OECD countries, but for the age group 65-69 the unemployment level is almost the highest.

In contrast to developed countries, unemployment as a transition phase between employment and inactivity plays only a modest role in Russia, whereas direct flows between employment and inactivity are predominate, particularly at older ages (Gimpelson & Sharunina, 2015). The availability of a pension in

addition to receiving income from work makes it possible to enter the labour market when needed and exit it just as easily (Gimpelson & Kapeliushnikov, 2013b). A direct exchange between employment and inactivity is also promoted by the involvement of pensioners in informal employment. Thus, at older ages, both the levels of unemployment and – to a lesser extent – labour participation rates may be underestimated (Ivanova et al., 2017). This is supported by the fact that this 60-72-year-old age group is where the proportion of the so-called 'potential labour force' (those who partially meet the ILO's unemployment criteria) reaches its maximum and considerably exceeds the level of unemployment (Lyashok, 2017).

› Pension system and reforms

The government considers the pension system as a three-level model: The state pensions, which are for all, and the corporate and private pensions, which are for persons with middle and high incomes (Strategy, 2012). The corporate, and particularly the private pensions, are not very common yet.

The old-age insurance pension under the statutory compulsory pension insurance scheme includes a flat rate benefit and a points system, as well as individual accounts for persons born in 1967 and later. There are also statutory social pensions and voluntary privately funded pensions managed by non-state pension funds.

The pensionable age for women is 55 and 60 for men. Until 2015, the additional qualifying condition was at least five years of insurance coverage. In 2015, it was decided that the minimum requirement for insurance coverage would increase by one year for up to the next 15 years (until 2024). There is no income test for a working pensioner, but since 2015, their pensions are not annually adjusted (OECD, 2017). In 2016, the ratio of the average pension to the minimum subsistence level of a pensioner was 1.53 and the replacement rate (pensions to earnings) was almost 34% (Rosstat estimate). The gross pension replacement rate (of average earners at retirement age) for Russia is 33.7% (OECD, 2017, Figure 4.3). This is lower than in 31 of the 35 OECD countries.

Since 2002, the Russian pension system has been under construction. The main driving force of the reforms are the considerable pension fund expenditures compared to the revenue from the state budget (2.3% of GDP in 2016), and a future growth of this imbalance according to the inertial pension system projection scenarios (Strategy, 2012; Sinyavskaya, 2017; Gorlin, Lyashok, & Maleva, 2018), i.e. taking into consideration the existing pension system in the context of prospective demographic change. This trend is caused by the decrease of a parameter which is crucial for the solidarity pension systems: The proportion of the number of insured people to the number of pensioners. This rate is slightly higher than one so far, but according to the inertial scenarios, it will continue declining until 2050 and will fall below one in 10-20 years (Sinyavskaya, 2017; Gorlin et al., 2018).

The unsustainability of the pension system is not associated as much with demographic change as it is associated with the informal employment and hidden ('envelope money') wages (Solov'ev, 2014; Sinyavskaya, 2017; Gorlin et al., 2018). The pension fund of Russia and the government consider these factors as the main obstacles to the development of the pension system (Strategy, 2012). At the same time, the estimates of the share of hidden wages among all wages varied widely – mostly from 20% to 40% (Gorlin et al., 2014; SPP, 2017). The official estimates of the proportion of those employed in the informal sector are between 20% to 25%. These estimates, however, are based on specific definitions, which also include those who pay taxes and have a formal status. If the criteria comparable with those in other countries are applied, the estimates of 'shadow' employment will be 10-15%, which is slightly higher than those in developed countries (Gimpelson, 2017, pp. 74-75).

The 2015 reform should help these individuals come out of the shadow. The increase in the minimum insurance period and the minimal sum of pension points deprives the workers in the informal sector of the ability to 'quickly' earn the entitlement to a pension.

A number of solutions to problems of financial sustainability of the pension system are within the pension system itself (Sinyavskaya, 2017). One of them is related to early retirement. Although by law it is not possible to retire before the generally established age, there is a wide range of exceptions amongst professions and sectors. For this reason, a third of the pensioners start receiving their pensions before the official retirement age (Solov'ev, Dontsova, & Kuchuk, 2015; Gorlin et al., 2018), which reduces

the actual age of retirement by 1.5 years for women and by three years for men (Sinyavskaya 2017, p. 570), and even more when workers retire early because of disability (Maleva & Sinyavskaya, 2010). Another aspect of the problem is financial. Insurance contributions for these categories of employees are lower than the pension obligations owed to them (Solov'ev, 2010). A general solution to the problem of early retirement would be in the emergence of an occupational pension system (Rzhanitsyna, 2015).

'The generous gift' of the 2002 reform was the cancellation of any restrictions to the income of working pensioners. It has promoted, along with other factors, an increase in employment in pensionable ages. From 2002 to 2015, the percentage of employed pensioners doubled (the Pension Fund data). The 2015 reform introduced limitations on annual increment of pension capital for working pensioners, and since 2016, the government suddenly abolished the annual adjustments for inflation. The latter innovation brought about a sharp decrease in the proportion of the working (insured) pensioners from 36% in 2015 to 23% in 2016 (the Pension Fund data).

The 2015 reform pinned some serious hopes on measures to stimulate workers to start receiving their old-age pension later (Gorlin et al., 2014). According to the main developers of the new pension formulae, 'confidence in pension system stability has the most substantial impact on the effectiveness of the decision about later retirement' (Gorlin, 2017, p. 110 – author's translation). However, the governmental reaction to the crisis (incomplete indexation of pensions, refusal to adjust pensions based on inflation for working pensioners and moratorium on the mandatory funded pensions) reduced the trust of the population in the pension system's stability even more (Gorlin, 2017). This deprived the programme of encouraging later retirement for any prospects and paved the way to raise the retirement age.

› Challenges, potentials and opportunities

The prominent feature of the older generation's human capital in Russia is their considerably high education. This – together with shaky financial circumstances – presumably makes many of the older people motivated to work longer, which logically calls for the increase of the retirement age. The poor health of older adults in Russia and their quickly out-dated professional skills might be seen as a hindrance to how effective this measure is (Gimpelson & Kapeliushnikov, 2017). The specific age pattern of salaries in Russia and some eastern Europe countries might support this: Earnings reach a very early peak (35-39 years), while in other countries, this peak is reached closer to retirement age (Gimpelson & Zudina, 2017). This hindrance could have been substantially mitigated by introducing lifelong learning, learning at work and other kinds of re-training systems, as well as through appropriate reforms in healthcare and making working conditions more sustainable, e.g. with the help of more flexible working arrangements and age-management strategies.
Taken together, the problem seems to be rooted not so much in the quality of human capital as such, but in the social, political and economic factors: Ineffective healthcare and a very noticeable lack of professional re-training in general and especially for older people.

Training

One of the major solutions for increasing or maintaining older workers' employability is the development of their professional skills and keeping their knowledge up to date. In Russia, there is no progress in this respect. Only 1.4% of Russian seniors (55-74) engage in lifelong learning, which is only one-third of the EU average (Varlamova et al., 2017). Overall in 2016, only 16% of workers aged 25-64 underwent training (while in 2010 it was only one percentage point less); the rate for the private sector is even lower. Retraining costs equal just 0.3% of the enterprises' overall spending on human resources (Travkin, 2017, p. 120).

The situation with re-training is determined by labour market institutions and the incentives they provide. Low competition makes it possible to omit investments into new technologies and cut training costs by poaching qualified workers when necessary; this practice, in turn, demotivates employers to invest in (re-)training (Gimpelson & Zudina, 2017).

In general, labour force training is provided selectively, being concentrated in specific sectors of the economy, specific professions and age groups. Workers who do not match those groups are trained even less, if trained at all (Travkin, 2017), among them are workers aged 60+. Low investments into professional skills development for older workers lead

to their withdrawal from the labour market or their shift to occupations with a lower wage, which are less demanding and easier to get, as well as to informal employment. To summarise, the situation with on-the-job learning does not promote employability of older people.

Flexible arrangements

The growing economic involvement of the elderly in the OECD countries is closely related to the increased flexibility of labour markets which provide more opportunities for partial- and self-employment (Sonina, 2015). In Russia, nothing of that kind can be observed (Sonina & Kolosnitsina, 2015).

Although, the age profile is similar to other countries – the number of working hours per week decreases here as employees grow older – only 20% of men and 25% of women who have reached retirement age work part-time (less than 35 hours a week). These figures have stayed almost the same since 2002.

The self-employment rate decreased dramatically by 2013 to just 2-3%, which was three times as low as in 2002. Low prevalence of part-time work and flexible work arrangements among older people, as well as the tendency for stagnation at this low level, create a drastically different situation in Russia than in the western European countries.

Thus, if more favourable conditions for self-employment and part-time time employment were developed, it could prolong labour activity at older ages.

Ageism

In Russia, ageism prevails in public consciousness to a greater extent than in the majority of other countries (World Bank, 2015). However, the whole variety of forms ageism takes in the Russian labour market are insufficiently explored. Sociological researchers report that older workers face inequality, both during the job search (Kozina & Zangieva, 2014) and dismissal (Ivanova et al., 2017). The wage age pattern implies discrimination on the basis of age. Evidence comes from recent pioneer research from Klepikova and Kolosnitsyna (2017, p. 79): 'Russian results show higher discrimination, with a 15-20% decrease in wage for older age groups, compared to 2.5% in the U.S.'. If this is so, discrimination may displace older workers from the labour market because wage is an employment factor of utmost importance for older workers.

Initiatives

Internet portals for older people have been introduced a few years ago. Some of these include programmes for professional orientation for the retired or human resources divisions. The occupations of nannies and medical nurses for home care prevail among offered vacancies. However, explicitly or implicitly, they take into account primarily those younger than 60.

In general, there are hardly any active ageing initiatives that focus particularly on the employability of older people in Russia, yet some shifts are beginning to emerge. For example, some state corporations have announced age-management programmes for senior workers (i.e., Inter RAO Group). The Moscow project 'Active life for older generation' is going to elaborate upon the methodological basis for the acquisition of another highly qualified specialty for people aged 55-70, who are 'physically ready to work' ('Город для людей' [City for people], n.d.) and highly educated. Later on, the next step will be to approve and to implement this programme.

Data

Varlamova et al. (2017) underlined that in Russia, the limited statistics on active ageing is one of the crucial problems of the research. This problem still remains. Besides a World Health Organization (WHO) study on global ageing and adult health conducted in Russia in 2010, there are no representative surveys focused on the elderly population or ageing in Russia. Existing data is not always compatible with international definitions. The Russian Longitudinal Monitoring Survey is the only longitudinal survey in the country. The health conditions of the Russian population deserve monitoring, but in the regular Rosstat (the Federal State Statistics Service) surveys that monitor was conducted only once – back in 2013. And it included no questions concerning functional limitations, so this field is almost obscure. Other Rosstat surveys register self-perceived health and prevalence of chronic diseases. A possibility to include healthy life expectancy into all-Russian and regional monitoring of the population health has been under discussion for years. Still, healthy life expectancy is not calculated by the Rosstat due to the absence of appropriate and reliable data.

Policy

A report by the World Bank (2015) about population ageing in Russia provides a comprehensive account of active ageing policy recommendations including measures aiming at increasing the employment

level of older people. For example, among the central points are 'a broad-based and effective system of adult education, including skills upgrading and retraining' and 'encouraging firms to institute age management policies for older workers'. One of the conclusions is that 'how effectively labor market or social protection reforms affect the LFP of older Russians depends critically on whether these adults are employable – something that can be achieved through targeted programs of adult education' (World Bank, 2015, p. 41).

The Strategy of Action for Senior Citizens in the Russian Federation until 2025 adopted by the Government in 2016 is in dissonance with this report (Strategy, 2016). The declared goals – an increase in life expectancy, standard of living and quality of life of older adults – excludes labour activity. The only measure among the priorities that is related to employment concerns the professional orientation of unemployed elders. Social services, geriatric hospital beds and buses adjusted to the needs of the disabled – these are the target indicators for 2020 and 2025. Achievement of these and similar goals would signify the success of the 'Strategy'.

It seems that a paradigm change is necessary now. It is essential to recognise that extending working lives is one of the most important responses to the challenges of demographic change. Employability is crucial in this respect, and it is hardly possible to increase it without creating conditions for continuing, real inclusion in the labour market and providing older people the opportunity to be active. Therefore, continuous and significant state and private investments in education and professional training of the 45+ population are needed, as well as measures encouraging employers to provide more age-friendly workspace and flexible working arrangements.

Footnotes

[1] Russian Labour Force Survey. Microdata: http://www.gks.ru/free_doc/new_site/population/trud/bd_ors/bd_ors.sav.

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Sweden

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The current Swedish pension system is flexible. Workers may choose to retire, partially or fully, at any time after the age of 61, while still working full- or part-time. The system also allows retirees to temporarily stop collecting pension benefits and return to employment, but they have no right to continue working after the age of 67. Like in many other countries, the effective retirement age has been rising in Sweden since the mid-1990s and today it is the highest in the European Union (EU).

In the following, we document the changes in effective retirement age by gender, education and health status. We also discuss what factors might underlie these changes. We start with an overview of the pension system, the development of health and the effective pension age for different groups, before making some reflections about challenges with regard to increasing the employment levels among elderly workers in Sweden in the future.

› The pension systems today

The current old-age pension system, in which benefits depend on defined contributions, was legislated in 1994 and implemented in 1999. Compared to the previous system with defined benefits, it is more financially stable and provides stronger incentives for working longer. In the new system, workers accumulate pension contributions throughout their entire working life. Some of the contributions, such as compensations for childcare and military service, are paid by the state. Contributions for refugee immigrants are also paid directly from the state budget. To calculate the pension entitlements, the accumulated contributions plus the returns will then be divided by the remaining life expectancy at the age of retirement. This provides strong incentives for late retirement, as additional years of work will increase the total pension wealth, but also reduce the remaining life expectancy, hence create a higher benefit level.
The pension system has three pillars: The old-age pensions administrated by a public authority, the Swedish Pension Agency, the occupation pensions and the private pensions. It is supplemented with state guaranteed pensions, housing and old-age allowances. They are paid directly from the state budget and amounts to 11% of the state pensions (Pensionsmyndigheten, 2018). Early retirement/disability pensions, which were part of the state pension system, became part of the social sickness insurance programme beginning in 2003.

While the pension system is very flexible in terms of age and degree of retirement, the majority retire at age 65, the age that individuals become eligible for a guaranteed pension, housing and old-age allowances. Moreover, individuals rarely return to work after they start to receive pensions. Merely 0.3% of the old-age pension recipients were engaged in labour market activities in 2017 (Pensionsmyndigheten, 2018).

Private pensions are generally rare in Sweden, which means the majority of retirees rely on public pension programmes, occupation pensions and/or the guaranteed pension. Today, old age and occupational pensions together corresponds to about 65% of an average worker's final yearly income. Currently, working one year longer will increase one's annual pension income by about 5% since remaining life expectancy at age 65 is about 20 years. Taxes are also somewhat lower if you continue to work after age 65, adding to the incentives to work longer.

Occupational pensions are mostly agreements between the trade unions and the employers, with few exceptions agreed upon on an individual basis. These schemes play an important role to supplement the old-age pensions that are usually low due to the upper limit of benefits.

Among native born, about 10% aged 69 and over receive old-age allowances in addition to pensions and housing allowances. The corresponding figure for immigrants is much higher because many of them did not have a long working history and/or earned relatively low wages in Sweden, which decreases their accumulated pension contributions that are required to receive a full pension (Sjögren Lindquist, 2017).

The early retirement/disability pension, applicable up to age 65, has gone through various reforms in recent years. Initially, the early retirement programme was intended for disabled persons. In the 1970s, it was turned into an early retirement programme for elderly workers who lost their jobs, like in many other countries. However, after 2003, disability pension had become increasingly stringent; it is only applicable to those who have limited working capacity due to medical reasons.

Health of the elderly

If the elderly live longer because the onset of diseases is postponed to higher ages, increasing longevity would present little challenge for organising the care and pension systems, as healthy elders would be able to live independently and work longer. However, if the elderly live longer because of improved survival from diseases, while the onset of diseases is not delayed, then growing longevity would increase the burden on health and elderly care, as well as on public pension systems. Hence, an important question is whether increased longevity is composed of more years in good or bad health.

In Sweden, the population approaching retirement ages (aged 55-59) are generally healthy – 90% have never been admitted to hospitals – and the hospitalisation rates have been persistently low over time (Qi, 2016; Qi, Bengtsson, & Helgertz 2016a). Moreover, certain diseases have exhibited a noticeable increase in the age of first onset. Between 1995 and 2010, the average age of first myocardial infarction after the age of 60 increased by about three years (Modig, Drefahl, Andersson, & Ahlbom, 2012; Modig, Andersson, Drefahl, & Ahlbom, 2013). Similar postponements were observed for hip fractures (Karampampa, Drefahl, Andersson, Ahlbom, & Modig, 2013; Karampampa, Andersson, Drefahl, Ahlbom, & Modig, 2014). These health improvements suggest that healthy life expectancy indeed increased in parallel with life expectancy. In addition, the large gap between age of retirement and expected age of death has been expanding over the last decades. Together, this provides the basis for the argument to prolong working lives.

Effective retirement age

The effective retirement ages have been rising in many developed countries in the past two decades. Sweden is no exception. Since the mid-1990s, the age at which an average Swedish worker's pension exceeded labour income increased from 62.8 to 64.6 for women and from 63.6 to 65.2 for men. This is a break from a long period of declining effective retirement age. In 2017, the employment rate for ages 55-64 was 77.6% and for ages 65-74, it was 17.0% (AKU, 2017), which are the highest in EU.

Figure 1 shows a steady decline in the effective age of retirement of those who were still working at age 55 from 1981 to 1995 and then a steady increase.

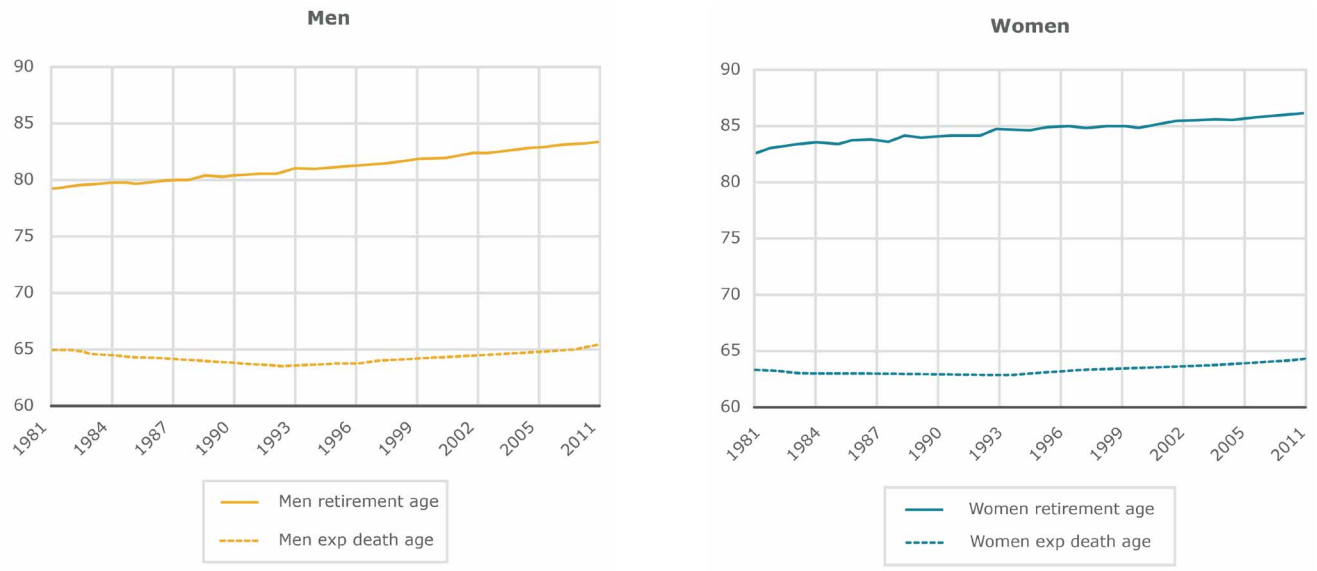

Figure 1: Effective retirement age and remaining life expectancy at age 65, 1981-2011, women and men
Note: The effective retirement age is defined as the age at which an average worker's pension exceeds labour income for the first time, conditional on that worker having had labour income at age 55.
Authors' own calculation for effective retirement age. Life expectancy at age 65 is obtained from Statistics Sweden.

Effective retirement is defined as pension income exceeding labour income. For most people, it means that they no longer have any income for work. For women, effective retirement age in 2011 was even higher than in 1981. Figure 1 also shows the remaining life expectancy at age 65. The gaps are large. In 1981, men expected to live 14 years after retirement at age 65 and women close to 20 years after retirement at age 63. For men, the gap has expanded to 18 years until 2011. For women, it has expanded to 21 years despite an increase in retirement age of almost two years.

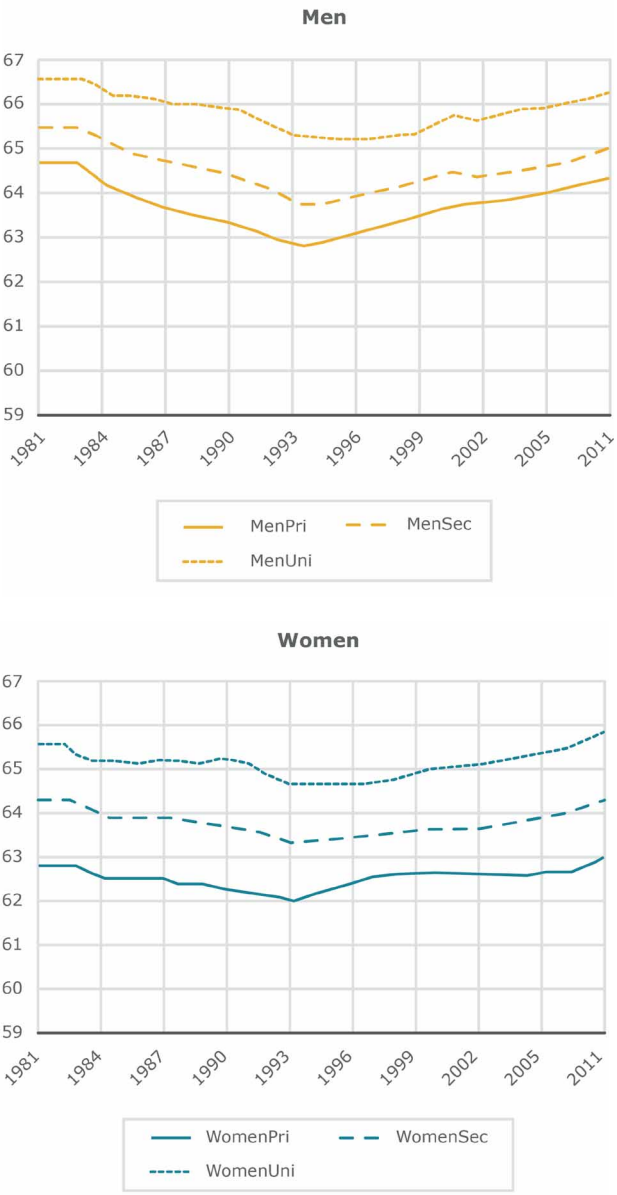

Figure 2: Effective retirement age by education, 1981-2011, women and men
Note: The effective retirement age is defined as the age at which an average worker's pension exceeds labour income for the first time, conditional on that worker having had labour income at age 55. Education is measured as primary (womenPri/menPri), secondary (womenSec/menSec) and university education (womenUni/menUni).
Source: Qi et al., 2016a.

The trends between 1981 and 2011 are almost universal across individuals with different socio-economic and demographic characteristics. For example, as shown in Figure 2, the effective retirement ages of both highly- and low-educated have grown noticeably since the 1990s. The increase has been somewhat faster for women than men. It has also been faster for men with primary education than for men with secondary and tertiary education. This development contradicts the notion that low educated and/or those engaged in physical demanding jobs are unable to delay retirement.

Figure 3 shows a similar development over time by health status, which is measured by the number of hospital stays each person has had prior to approaching age 60. While individuals with impaired health (as seen by those admitted to the hospital more than once) tend to retire earlier, their working life has been prolonged to nearly the same extent as those healthy workers who have never been hospitalised. These parallel developments are also observable for immigrants from different countries of origin, but at different levels of employment rates (Qi et al., 2016a).

› Why has the effective retirement age increased?

Some argued that switching from a defined benefit to a defined contribution pension system, and/or raising statutory retirement age, might be effective measures to prolong working life. This notion has received support in many developed countries, where old-age labour supply increased (particularly since the mid-1990s) after having introduced new retirement policies that discourage early retirement (Atalay & Barrett, 2015; Staubli & Zweimuller, 2013). During 1970-1991, older workers in Sweden could choose to retire by utilising early life/disability pensions for non-health reasons, such as unemployment, which is largely responsible for the decline in effective retirement age (Hagen, 2013). During the 1990s, the Swedish government abolished the utilisation of disability pensions for labour market reasons, and eliminated the favourable rules for workers aged 60-64. This reform exerted a positive impact on the labour force participation rate (Karlström, Palme, & Ingemar, 2008).

The defined contribution system that came into ef-

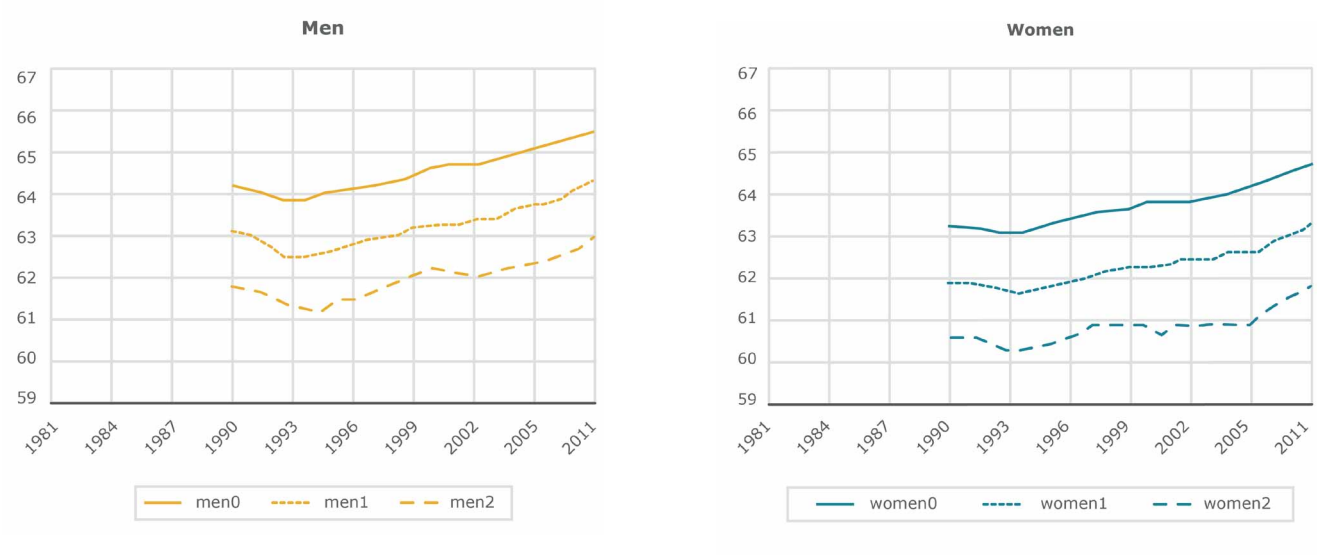

Figure 3: Effective retirement age by health, 1981-2011, women and men
Note: The effective retirement age is defined as the age at which an average worker's pension exceeds labour income for the first time, conditional on that worker having had labour income at age 55. Health is measured by the number of hospital admissions categorised by no admission (women0/men0), one admission (women1/men1), or two or more admissions (women2/men2), that each person had over age 55-59.
Source: Qi et al., 2016.

fect in 1999 created stronger incentives for working longer, as benefits increase with more working years. While some predicted an overall increase of 2.5 years in the average retirement age in response to phasing in the new system (Laun & Wallenius, 2015), the actual impact has not been seen yet, as the part of the population whose pensions were completely converted to the new contribution-based system (1954 cohort) have not reached their maximum pension age. Recent evidence in Sweden showed that the labour supply effect of a new system might not be as large as one might expect. For example, while the pension benefit for the 1944 cohort was lowered by 10% for men and 6% for women (due to half of their pension being converted to the new system), the corresponding increase in the effective retirement ages was merely 0.15 and 0.03 years. These effects also vary largely depending on education. The reform increased retirement age by about 0.4 years for those who attained university education, whereas it exerted little (even negative) impact on low-educated men and women (Qi, Bengtsson, & Helgertz, 2016b).

› Implications and challenges

Virtually all workers in Sweden have been working more and more years, from the mid-1990s until now. However, the rate of increase in the effective retirement age is not fast enough to counteract the effects of increasing life expectancy (Bengtsson & Scott, 2011). As a result, the expected period in retirement is increasing. This presents a daunting challenge to sustain social welfare transfers from the economically active population to the dependent elderly. To meet this challenge, working life needs to be prolonged further.

The current contribution-based pension system in Sweden is under way to be modified. In 2017, the parliament decided that the lowest age of retirement should increase from 61 to 62 years in 2020, to be further increased later. At the same time, the right to continue to work should increase. This is likely to increase the effective retirement age for men and, likely, also for women. Moreover, while low-educated men have started to catch up with medium- and high-educated men, the gaps between these groups are still large.

An area that has received little research is the retirement behaviour of ageing immigrants. Immigrants in Sweden tend to receive lower pensions compared to the natives, due to shorter working history, lower wages and/or ineligibility for guaranteed pension if they have resided in Sweden for less than 40 years (Sjögren Lindquist, 2017). However, they still retire earlier, which casts doubt on the importance of pension level on immigrants' retirement behaviour. In fact, their retirement age is close to the one in their birth country. It is therefore yet to be understood what determines the retirement decision of immig-

rants.

Concerns are often raised, correctly, about the difficulty for those engaged in physically demanding occupations to work longer. However, our figures suggest that not only high-educated and/or healthy workers, but also other groups are capable of working longer. Nevertheless, certain occupations and individuals may still have difficulty to work longer. For these groups, specific measures to improve the employment situation are needed at the same time as general changes to create further incentives and opportunities to work more years are coming into practice.

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Increasing the Labour Force Participation of Older People on the Political Agenda of the European Union

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› Introduction

Over the last 25 years, population ageing has been firmly established on the political agenda of the European Commission as a cross-sectional issue particularly relevant in the fields of employment and social policy, health and migration. Increasing the employment level of older people soon became one of the central aspects in the discussion of how to mitigate the economic consequences of population ageing and still is today. After a short overview on projections in regard to the effects of population ageing on the labour market, this chapter will provide an overview on how the issue of increasing the employment level of older people is approached at the European level and which policy recommendations, initiatives and measures have been developed and promoted over the years.

› Current situation and projections

In its 2018 Ageing Report, the European Commission (2018c) provided long-term projections of the budgetary impact of population ageing in the 28 European Union (EU) Member States over the period 2016-2070. The aim is to show in which countries, when and to what extent ageing pressures will accelerate as the baby boom generation retires and life expectancy increases. A number of the outlined economic and budgetary impacts of population ageing refer to the effects on the labour force (2018c, p. 3-4):

- The working-age population (15-64) is projected to decrease significantly from 333 million in 2016 to 292 million in 2070 due to fertility, life expectancy and migration flow dynamics.

- The old-age dependency ratio (people aged 65 and above relative to those aged 15 to 64) is projected to increase from 29.6% in 2016 to 51.2% in 2070. This means that in 2016, there were 3.3 working-age people for every person aged over 65 years, whereas in 2070 there will only be two working-age persons.

- The overall employment rate is projected to rise from 77.5% in 2016 to 80.7% in 2030 (in particular for women and for older workers), since the pension reforms that have been recently legislated in most of the EU Member States are projected to have a sizeable impact on the labour market participation of workers aged 55-64.

- Because of the projected drop of the working-age population, total labour supply for those aged 20 to 64 is projected to fall by 9.6% over the period of 2016-70.

The European Commission (2018c) identifies three distinctive periods in terms of the effects of population ageing on the labour market in the EU (Figure 1) (pp. 3-4):

(1) **Between 2007 and 2010** the working-age population was growing, but employment was sluggish because of the financial and economic crisis, which weighed on job growth.

(2) **From 2011 to 2020**, the working-age population started to decline as the baby boom generation enters retirement, but due to the assumed reduction in unemployment rates and the projected increase in the employment rates of women and older workers, the overall number of persons employed started to increase during the latter part of this period.

(3) **From 2021 onwards**, the working-age population is expected to decline, and the projected increase in employment rates is slower because of a smaller increase in female employment and a less pronounced impact by the pension reforms.

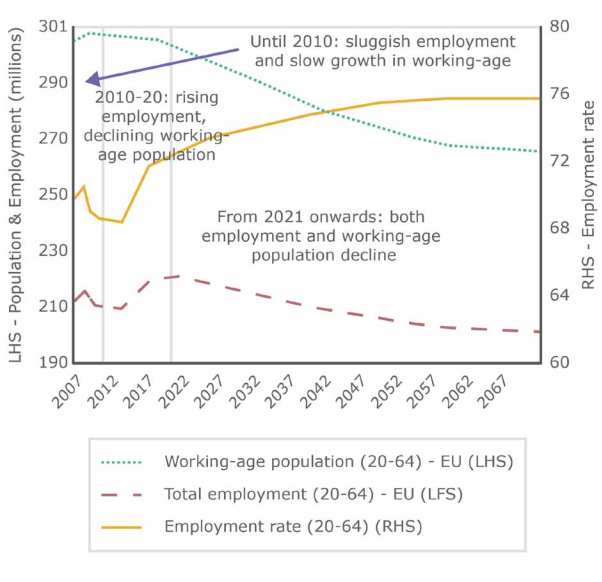

Figure 1: Population and employment developments (million), EU (European Commission, 2018c, p. 5)

› EU policy framework

The development and implementation of employment and social policies are largely the responsibility of the Member States. Therefore, EU employment and social policy is mainly about coordinating separate, independent national systems rather than harmonising them. Policy recommendations are aimed to be implemented through measures taken by the Member States. However, since the adoption of the Treaty of Maastricht, the EU has gained shared competences in the field of social policy and employment. Within this scope, the EU has developed different policy initiatives to support the Member States in addressing the challenges of population ageing. According to Eurofound (2013), these are mainly comprised of three types of activity:

- actions aimed at facilitating the adoption of age management policies and strategies on the part of Member States (via EU financial instruments, such as the European Social Fund);
- actions aimed at coordinating the policies of Member States (e.g. via mutual learning and the Open Method of Coordination); and,
- actions aimed at providing goals and targets for Member States (via the processes of the European Semester and Country Specific Recommendations) (p. 11).

› Political initiatives and recommendations

Population ageing became a prominently visible issue on the EU's political agenda in the early 1990s and soon the question of how to maintain economic performance with a smaller and older labour force came into focus. In a range of initiatives and publications, such as communications, white papers, Demography Reports and Ageing Reports, the European Commission addressed the need and potentials of increasing the labour force participation of older people as did the European Council and other political actors at the EU level. In the following, some of these activities are highlighted.[1]

In 1997, the first European Employment Strategy was launched at the Luxembourg Job Summit, which aimed at strengthening the coordination of national employment policies in regard to common objectives and targets with a focus on employability, entrepreneurship, adaptability and equal opportunities. The Lisbon Strategy devised in 2000 (aimed at making the EU 'the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion' by 2010 (European Council 2000, "The Way Forward," para. 3) specifically addressed the low employment level of older workers (European Council, 2000). One year later, the Stockholm European Council warned of 'the demographic challenge of an ageing population of which people of working age constitute an ever smaller part' (European Council, 2001, p. 13) and agreed to set the so-called Stockholm target of 'increasing the average EU employment rate among older women and men (55-64) to 50 % by 2010' (European Council, 2001, p. 15). In 2002, the Barcelona European Council agreed to increase the effective average age at which people stop working in the EU by about five years by 2010, recommending that 'early retirement incentives for individuals and the introduction of early retirement schemes by companies should be reduced. Efforts should be stepped up to increase opportunities for older workers to remain in the labour market, for instance, through flexible and gradual retirement formulas and guaranteeing real access to lifelong learning' (European Council, 2002, p. 12).

In 2004, the European Commission (2004) stated in its communication Increasing the E*mployment of Older Workers and Delaying the Exit from the Labour Market* that 'the low employment of older workers in

Europe represents a waste of individual life opportunities and societal potential' and asks the Member States and social partners for 'drastic action' (p. 3) to address the key factors for sustaining the employment of older workers, namely: Financial incentives to discourage early retirement, making sure that work pays, access to training and lifelong learning strategies and effective labour market policies, good working conditions conducive to job retention, flexible working arrangements and care services, and real prospects for employment.

In 2006, the European Commission (2006) outlined its demography strategy in the communication *The Demographic Future of Europe – From challenge to opportunity,* which provides the framework for the Commission's approach to demographic change until today. Also here, increasing the employment level of older people is a central aspect in two of the four defined key areas, namely promoting employment (e.g. longer working lives, combating discriminatory prejudices against older workers, increasing the number of women and people over the age of 55 in work) and sustainable public finance (e.g. avoiding early withdrawal from the labour market, raising the age of definitive retirement). The European Commission (2006) states moreover: 'The source of the problem is not higher life expectancy as such, rather it is the inability of current policies to adapt to the new demographic order and the reluctance of businesses and citizens to change their expectations and attitudes, particularly in the context of labour market modernisation. In short the Member States are facing a problem of retirement rather than a problem of ageing' (p. 12).

Neither the Stockholm target of increasing the average EU employment rate among older people to 50%, nor the Barcelona target of increasing the effective retirement age by five years had been met by 2010. The Europe 2020 strategy, following the Lisbon Strategy, did not explicitly restate these unmet targets. Instead, the goal of raising the employment level of the population aged 20-64 to 75% until 2020 was set, but it was emphasised that this should be met in part through greater participation of older workers (European Commission, 2010).

In the white paper *An Agenda for Adequate, Safe and Sustainable Pensions* published in 2012, the European Commission pointed out in the first sentence: 'An ageing population presents a major challenge to pension systems in all Member States. Unless women and men, as they live longer, also stay longer in employment and save more for their retirement, the adequacy of pensions cannot be guaranteed as the required increase in expenditure would be unsustainable' (European Commission, 2012, p. 2). Consequently, a range of measures to increase the employment level of older people is proposed, e.g.:

- create better opportunities for older workers to stay in the labour market by adapting work place and labour market practices;
- bring older workers into work;
- promote lifelong learning;
- support healthy ageing;
- combat gender and age discrimination;
- reconcile work;
- private and family life;
- promote longer working lives by linking retirement age with life expectancy;
- restrict access to early retirement.

The year 2012 was declared the 'European Year of Active Ageing and Solidarity between Generations' by the European Commission. In this initiative, many aspects were picked up and promoted that had been discussed on the European agenda in the years prior, especially regarding the level of older people's employment, participation and independent living: 'Promoting active ageing means creating better opportunities so that older women and men can play their part in the labour market, combating poverty, particularly that of women, and social exclusion, fostering volunteering and active participation in family life and society and encouraging healthy ageing in dignity. This involves, inter alia, adapting working conditions, combating negative age stereotypes and age discrimination, improving health and safety at work, adapting lifelong learning systems to the needs of an ageing workforce and ensuring that social protection systems are adequate and provide the right incentives' (European Parliament and Council Decision No 940/2011/EU, 2011, Article 2).

In the context of the European Year of Active Ageing, the Social Protection Committee and the Employment Committee, elaborated on the *Guiding Principles for Active Ageing and Solidarity Between Generations* (Council of the European Union, 2012) on three levels: Employment, participation in society and independent living. In regard to employment, the following principles and measures are set out:

- **Continuing vocational education and training**: Offer women and men of all ages access to, and participation in, education, training and skills development allowing them (re-)entry into and to fully participate in the labour market in quality jobs.

- **Healthy working conditions**: Promote working conditions and work environments that maintain workers' health and wellbeing, thereby ensuring workers' life-long employability.

- **Age management strategies:** Adapt careers and working conditions to the changing needs of workers as they age, thereby avoiding early retirement.

- **Employment services for older workers**: Provide counselling, placement, reintegration support to older workers who wish to remain in the labour market.

- **Prevent age discrimination:** Ensure equal rights for older workers in the labour market, refraining from using age as a decisive criterion for assessing whether a worker is fit for a certain job or not; prevent negative age-related stereotypes and discriminatory attitudes towards older workers at the workplace; highlight the contribution older workers make.

- **Employment-friendly tax / benefit systems**: Review tax and benefit systems to ensure that work pays for older workers, while ensuring an adequate level of benefits.

- **Transfer of experience**: Capitalise on older workers' knowledge and skills through mentoring and age-diverse teams.

- **Reconciliation of work and care**: Adapt working conditions and offer leave arrangements suitable for women and men, allowing them as informal carers to remain in employment or return to the labour market.

Another follow-up of the European Year of Active Ageing in 2012 was the development of the Active Ageing Index (AAI)[2] by the United Nations Economic Commission for Europe (UNECE) and the European Commission's Directorate-General for Employment, Social Affairs and Inclusion (DG EMPL). The AAI is a tool to measure the untapped potential of older people across the EU Member States and beyond (UNECE/European Commission, 2015). The index quantifies on the basis of 22 individual indicators the extent to which older people can realise their full potential in four domains: Employment, participation in social and cultural life, and independent living. It also measures the extent to which the environment they live in enables seniors to lead an active life: 'The overall goal of the Active Ageing Index project is to identify areas in which different policies and programmes can promote the contribution and potential of older people. In this pursuit, it is imperative to provide the evidence base that can show how aspirations of active ageing at the individual level can be enhanced with effective public policies and programmes' (UNECE/European Commission, 2015, p. 3).

In 2017, also as a legacy of the European Year of Active Ageing, EU employers and trade unions approved the *European Social Partners' Autonomous Framework Agreement on Active Ageing and an Inter-Generational Approach* (BusinessEurope, UEAPME, CEEP and ETUC, 2017). The aim of the agreement is to ensure a healthy, safe and productive working environment and work organisation to enable workers of all ages to remain in work until the legal retirement age and to facilitate the transfer of knowledge and experience between generations at the workplace. Table 1 summarises the tools, measures and actions that are outlined on the level of five overall aims.

The agreement is supposed to be implemented by the members of the signatory organisations across Europe, which include the Confederation of European Business (BusinessEurope et al., 2017), the European Association of Crafts, Small and Medium-Sized Enterprises (UEAPME), the European Centre of Employers and Enterprises providing Public Services (CEEP) and the European Trade Union Confederation (ETUC). Nevertheless, it is pointed out that '(t)he social partners are aware of the fact that successfully ad-

Strategic assessments of workforce demography	• Current and projected age pyramid, including gender aspects; • Skills, qualifications and experience; • Working conditions; • Job-specific health and safety considerations in particular for arduous occupations; • Developments linked to digitalisation and innovation.
Health and safety at the workplace	• Adjustment of work processes and workplaces; • Re-distribution/allocation of tasks to workers; • Effective prevention strategies and risk assessment, taking into account existing legislative obligations, including training of all workers on health and safety rules at the workplace; • Voluntary health promotion including, for example, awareness-raising actions; • Knowledge-building of management at the appropriate levels in order to address challenges and possible solutions in this field; • Health and safety measures taking account of the physical and psychological health of workers; • Review of health and safety measures between management and health and safety representatives, in accordance with existing legislative requirements.
Skills and competence management	• Awareness raising towards management and workers' representatives of skills needed in an age perspective; • Training for workers of all ages, aiming to maintain and further develop necessary knowledge and competence throughout their careers to remain at work until legal retirement age; • Facilitate and support personal career development and mobility; • Motivate and increase participation in training to ensure up-to-date skills in particular digital skills; • Embedding age management into broader skills development; • Identifying formal and informal competences that workers have acquired in the course of their working life.
Work organisation for healthy and productive working lives	• Fostering the capacity of both young and older workers to better anticipate and adapt to changes in work organisation, to maximise the potential of human resources; • Working arrangements, including with regard to working time; • Adapting allocation of tasks between workers; • Providing necessary means to managers on age-related issues; • Fighting stereotypes related to age, for example by establishing mixed-aged teams; • Transition measures for older workers towards the end of their working life; • Recruitment of new staff.

Table 1: Tools, measures and actions proposed in the European Social Partners' Autonomous Framework Agreement on Active Ageing and an Inter-Generational Approach (BusinessEurope et al., 2017, pp. 5-7)

dressing the challenges deriving from demographic change does not depend exclusively on their action. EU and national public authorities and other actors have responsibilities in terms of ensuring that there is a framework which encourages and promotes active ageing and the inter-generational approach' (Business Europe et al., 2017, p.3).

In November 2017, EU leaders proclaimed the European Pillar of Social Rights at the Social Summit in Gothenburg, which sets out 20 key principles and rights that are supposed to support fair and well-functioning labour markets and welfare systems in regard to three categories. Although all rights are of course also relevant for older people in one way or another, there are some that are particularly relevant for them in regard to employability and possibilities to prolong their working life as shown in Table 2 (see next page) (European Parliament et al., 2017):

Most recently, the European Commission (2018a) published the *Pension Adequacy Report 2018*, which provides an overview of Member States' pension policies focusing on the adequacy of old-age incomes today and in the decades to come. Naturally, a number of the key conclusions and recommendations are also directly related to the labour force participation of older people in the EU, e.g.:

- The Commission points out that although the duration of working life is increasing, the duration of retirement is expected to grow even faster, as life expectancy continues to increase: 'On average in the EU, the time spent in retirement is about half (51%) of that spent in employment. This ratio is projected to increase to 53 per cent by 2060, posing the challenge of finding a new balance between working life and retirement and of sustaining adequate pensions' (European Commission, 2018a, p. 15).

- In regard to the increase of the employment level in the age group 55-64 by 5.1% in the years 2013-2016 (following the trend of the past 10 years), the Commission assumes that later retirement is the most important factor for this growth, but also effects of pension reforms as well as new, better-educated age cohorts replacing previous ones. Furthermore, it is stated that '(d)epending on specific country situations, effective policies to boost participation vary from investing in early education to improving access to lifelong learning, and from improving health conditions to promoting active ageing and age management in the workplace'(European Commission, 2018a, p. 17).

- The Commission points out that as life expectancy improves, longer working lives will be vital to enable men and women to also acquire adequate pensions and outlines how pension systems can promote later retirement: Adjustment of pensionable ages, pension benefits or career length requirements, rewarding later retirement, discouraging early exit, flexible retirement options (including possibilities to combine pension with income from work) and tax incentives promoting later retirement.

As shown, the need, the potentials and the challenges of increasing the labour force participation of older people are widely discussed at the level of the EU and a range of related policy recommendations and initiatives were developed over the last two decades. Recently, the European Commission has also been increasingly emphasising the economic potential of population ageing with a particular focus on the so-called 'silver economy', defined as 'the existing and emerging economic opportunities associated with the growing public and consumer expenditure related to population ageing and the specific needs of the population over 50' (European Commission, 2015, p. 7). In 2018, a report by the Technopolis Group and Oxford Economics was published, which was commissioned by the European Commission to provide key strategic information and a reference framework for the development of a Silver Economy Strategy for Europe (European Commission, 2018b). One of the four recommendations for future policy directions is to promote the active participation of older people in the labour market: 'Europe 2020 singled out the need to retain more older people in the workforce past retirement age, in order to help deal with the problem of a shrinking workforce. Working for longer may have other benefits too, including increasing people's disposable income and improving wellbeing. From this perspective, there is a triple economic benefit: reducing skills shortages and wage inflation; increasing purchasing power and decreasing healthcare costs. Businesses can benefit from the experience of older people, through direct employment, executive mentoring or even equity investment. Moreover, there has been an increase in the numbers of older people launching their own

businesses, where they make use of their commercial experience, personal financial resources and extensive social capital' (European Commission, 2018b, p. 11). Therefore, it can be assumed that increasing the employment level of older people will remain an important issue on the political agenda of the EU in the future.

Footnotes

[1] For a more comprehensive summary of how the issue of ageing in the context of demographic change developed on the political agenda of the EU see Chapter 5.1 in Zimmermann (2015); for active ageing, see Peña-Casas (2017); and for ageing workers, see Eurofound (2013).

[2] The AAI is online available here: https://statswiki.unece.org/display/AAI/Active+Ageing+Index+Home.

Equal opportunities and access to the labour market:	• ***Education, training and lifelong learning***: Everyone has the right to quality and inclusive education, training and life-long learning in order to maintain and acquire skills that enable them to participate fully in society and manage successfully transitions in the labour market. • ***Gender equality***: (a) Equal treatment and opportunities between women and men must be ensured and fostered in all areas, including in regards to participation in the labour market, terms and conditions of employment and career progression. (b) Women and men have the right to equal pay for work of equal value. • ***Equal opportunities***: Regardless of gender, racial or ethnic origin, religion or belief, disability, age or sexual orientation, everyone has the right to equal treatment and opportunities regarding employment, social protection, education, and access to goods and services available to the public. Equal opportunities of under-represented groups shall be fostered. • ***Active support to employment***: (a) Everyone has the right to timely and tailor-made assistance to improve employment or self-employment prospects. This includes the right to receive support for job searches, training and re-qualification. Everyone has the right to transfer social protection and training entitlements during professional transitions. (b) People unemployed have the right to personalised, continuous and consistent support. The long-term unemployed have the right to an in-depth individual assessment, at the latest after 18 months of unemployment.
Fair working conditions:	• ***Work-life balance***: Parents and people with care responsibilities have the right to suitable leave, flexible working arrangements and access to care services. Women and men shall have equal access to special leaves of absence in order to fulfil their care responsibilities and will be encouraged to use them in a balanced way. • ***Healthy, safe and well-adapted work environment and data protection***: (a) Workers have the right to a high level of protection of their health and safety at work. (b) Workers have the right to a working environment adapted to their professional needs and which enables them to prolong their participation in the labour market.
Social protection and inclusion:	• ***Old age income and pensions***: (a) Workers and the self-employed in retirement have the right to a pension commensurate to their contributions and that ensures an adequate income. Women and men shall have equal opportunities to acquire pension rights. (b) Everyone in old age has the right to resources that ensure living in dignity. • ***Health care***: Everyone has the right to timely access to affordable, preventive and curative health care of good quality.

Table 2: Key principle of the European Pillar of Social Rights particularly relevant for the employability of older workers (European Parliament et al., 2017, pp. 10-21)

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The Intergovernmental Initiatives and Co-operations in the Baltic Sea Region

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A well-functioning labour market is a crucial element in the competitiveness of the countries in the Baltic Sea Region (BSR) and the Region's welfare. The cooperation in the field of labour and employment, including the leadership in the Baltic Sea Labour Forum (BSLF), a flagship under the European Union Strategy for Baltic Sea Region, Policy Area Education (EUSBSR PA Education), belongs to the Council of Baltic Sea States' (CBSS) long-term priority 'Prosperous and Sustainable Region'.

The cooperation in this field is recognised by the labour ministers of the CBSS Member States 'as a crucial focus area since the concerted efforts from all CBSS countries will be essential in meeting the challenges we are currently facing and in the future.'[1] This highlights the importance 'to take into account the differences in the labour markets of BSR and economies by developing a win-win cooperation framework in the region, addressing the existing challenges of the labour market in a comprehensive and cross-sectoral way taking into account their interconnected and interdependent nature'.[2]

› Baltic Sea Labour Forum (BSLF)

BSLF was established in 2012 as a platform for the Social Dialogue between trade unions and employer organisations. Nowadays, it is one of the five flagships under the EUSBSR PA Education, with CBSS as a flagship leader. Among the members of the BSLF are trade unions and employer organisations, and in addition, BSLF has a wide range of stakeholders in the BSR that are observers: Academics/universities, cooperation platforms from the Baltic Sea Trade Union Network (BASTUN), the Baltic Sea Parliamentary Conference (BSPC), EUSBSR PA Education, the Central Baltic INTERREG, Euroregion Baltic and the Council of Nordic Trade Unions.

Currently, BSLF has defined the topics of its thematic coverage as follows:

- Labour mobility: Prevention of brain drain, stimulation of the brain circulation
- Demographic challenges/Ageing labour force
- Labour market forecasting and research
- Youth employment, including linkage between education and labour market' needs
- Migration/integration

› BSLF Policy Recommendations

The BSLF Steering Committee has initiated the creation of policy recommendations based on proposals from BSLF members and observers, as well as participants of the Swedish Institute's Baltic Leadership Programme 'Labour mobility'.

In the policy recommendations devoted to the 'Society of Longer Lives', it is stated that addressing demographic change is one of the key challenges in the countries of BSR and all over Europe. The countries have to find creative ways to utilise the hidden potential of people aged 55+, well-educated and motivated to counteract the negative consequences of demographic change. Lifelong learning in this regard will soon be a reality: In the course of the working life, one will regularly upgrade skills to adjust to the needs of the labour market, or because of necessity

to find a less physically demanding job, or simply because one would like to do something else, including starting one´s own business. Over the course of a lifespan, other considerations other than vocational motivations will be important, too. The tasks on the agenda in this regard are, for example:

- to offer competence development and resources for face-to-face guidance throughout the whole life;
- to highlight the role of non-formal education in competence development;
- to support a dialogue about a society of longer lives between labour market organisations, relevant authorities and education providers;
- to build a platform for learning and best practice exchange in the field of adult learning;
- to offer good working conditions, which allow employees to work safely and in a healthy manner until retirement;
- to strengthen advanced vocational education and training, especially regarding new technologies tailor-made for the elderly;
- to foster the further development and upgrading of skills (basic and specialised) and employability through the establishment of a legal right to lifelong learning;
- to remove all sorts of age discrimination in laws and regulations, combat discriminatory prejudices against older workers, adapt the workplace for ageing employees, create flexible working arrangements;
- to promote longer working lives by linking retirement age to life expectancy, more restricted access to early retirement, exploration of new forms of gradual retirement;
- to provide good working conditions, which allow employees to work safely and in a healthy manner till retirement, counterbalance the social and economic consequences of an ageing and shrinking workforce by increasing the labour market participation of women, particularly through policies that foster a better reconciliation of work, family and care, to raise awareness and visibility of the positive role which this group plays in the labour force and the economic development of society.

The policy recommendations have been delivered to the labour and social affairs ministries of the CBSS Member States.

The BSLF policy recommendations became grounds for the discussion during the first Meeting of the High Representatives of the Ministries of Labour of the Council of the Baltic Sea States, which took place in Berlin in June 2017.

The meeting was held as a part of the joint event with the BSLF Annual Round Table and back-to-back with the Annual EUSBSR Forum. The BSLF policy recommendations were recognised as a valuable contribution to further strategic planning and decision making in the field of labour and employment, and for being complimentary and not overlapping with the United Nations (UN) Sustainable Goals, the EUSBSR, as well as national strategies of the CBSS Member States. The work of the BSLF within the framework of the CBSS since 2012 and coordinated by the CBSS Secretariat has been recognised as a valuable co-operation platform 'for an established exchange of experience and communication between the key labour market stakeholders in the Region' (quote from Declaration).

The objective for the first Meeting of the High Representatives of the Ministries of Labour of the CBSS was to pave the way for closer cooperation in the fields of labour and employment, and to foster the permanent exchange of experience and best practices. In addition, the meeting wanted to enable the key labour market actors to discuss the many existing challenges and issues facing us today and then to determine the necessary solutions, actions, policies and programmes to create the sustainable regional labour markets within the entire BSR, raising its overall competitiveness and welfare.

The Ministerial meeting resulted in the adaptation of the Declaration where it specifically highlighted the importance of following the UN Sustainable Development Goals 2030 Agenda with regional applications for the BSR, including multi-stakeholder partnerships and an inclusive approach to economic growth by reducing poverty, all forms of inequality, unemployment, informal work by promoting quality jobs, and removing barriers for labour market inclusion and integration for all groups of the population; by

considering trends affecting labour markets, such as technological change and digitalization, demographic transitions and changing expectations about work; by responding to the critical challenges, including gaps in social protection resulting in part from the rise of non-standard forms of employment by finding smart and innovative solutions which will respond to both employees' and employer's needs and ensure a high level of safety and health at work.

The CBSS Committee of Senior Officials and the CBSS Secretariat were invited to consider the possibility of establishing an Ad-hoc Working/Expert Group on Labour and Employment in the framework of the CBSS Secretariat. This would be linked to BSLF, the Baltic Sea Parliamentary Conference and the Northern Dimension Partnership on Health and Social Wellbeing, and would engage other relevant regional stakeholders.

› 'CBSS/BSLF Coordination Group on Labour and Employment' (CG)

The CBSS Secretariat and the BSLF created an initiative to establish an informal cooperation platform entitled 'CBSS/BSLF Coordination Group on Labour and Employment' (CG) that was based on voluntary participation by the stakeholder representatives from the CBSS countries. This initiative was in reference to the CBSS Labour Ministerial Declaration (Berlin, 15 June 2017) and the CBSS Warsaw Declaration adopted at the Meeting of Deputy Foreign Ministers (June 2016), which encouraged synergies in cooperation among CBSS Member States in areas where mutual benefits can be achieved.

The mission of the CG is to:

- foster closer cooperation in the fields of labour and employment for an improvement of the labour market as a cross-cutting issue for the BSR's overall competitiveness and social welfare;

- promote innovative regional cooperation built on multi-level governance and partnership among diverse stakeholders in terms of an inclusive labour market, social innovation and employment across the borders;

- contribute actively towards the advancement of the long-term priorities of the CBSS.

In its work, the CG is going to focus on issues of common concern, such as: Future of work, new qualifications required and better linkage between education and needs of the labour market. This closely relates to the importance of lifelong learning and the comprehensive labour market forecasting and research that addresses demographic challenges and promotes inclusive labour markets.

The intention of the CG is to act as a platform and information hub for mutual learning, communication and exchange of experience and good practices on a regular basis between the key labour market actors in the BSR; to contribute to the strategic planning and decision making in the field of labour in coherence with the UN Sustainable Development Goals, the Decent Work Agenda of the International Labour Organization, the EUSBSR, as well as national strategies of the CBSS Member States, and remaining complementary and avoiding duplicity; to strengthen more holistic and comprehensive cross-sectoral approach by pooling the joint efforts of the governments, regional and local authorities, research and academia, social partners and NGOs; to foster partnerships and better coordination between key actors acting in the field of labour and employment in the BSR countries, avoiding overlap and generating synergies; to distribute to decision makers in the field of labour and employment the conclusions and recommendations, if appropriate, based on the relevant outcomes of its work and taking into account good practice in the BSR.

The CG has an added value from its diverse membership including organisations with observer status representing the BSR's major stakeholders and key actors dealing in the field of labour and employment: Representatives from the ministries (related to labour, education or social and health care), equivalent government institutions or appointed managing authorities from the CBSS Member States; the Baltic Sea Parliamentary Conference; the Northern Dimension Partnership in Public Health and Social Well-being; European Commission Directorate-General for Employment, Social Affairs and Inclusion (DG EMPL); EUSBSR PA Education, as well as the experts from the academic sphere and other relevant organisations in BSR with a competence in this field.

To ensure the follow-up of the CBSS activity in this direction, the Secretariat intends to apply to the European Social Fund entitled 'BSLF for Sustainable Working Life' focusing on the ageing labour force. The project will address three issues crucial for the

socio-economic development of the countries in the BSR: The demographic challenge, active ageing and lifelong learning (LLL). The aim of the project will be to identify, validate, develop and implement good practices and innovative ideas in the field of active ageing and LLL, adapt a transnational, multi-level and multi-sectorial cooperation/co-creation model into the frame of so-called Thematic Working Groups (TWG) and Knowledge Platforms. It will be supported by policy-relevant, cutting-edge research on forecasting and analyse demography and economic/labour market issues, including a 'future work' and 'qualifications needed' perspective, technological developments and trends. The TWGs to be established will deal with (1) lifelong learning, the knowledge transfer between generations and the mutual knowledge transfer between younger and elder professionals; (2) working conditions/age management; (3) job opportunities for an ageing labour force, including entrepreneurship; (4) research and comprehensive labour market forecasting – a cross-sectoral, service function TWG, supporting the work of other TWGs.

The overall objective of the project is to introduce and test the outcomes from the already implemented projects and initiatives, as well as studies made by prominent research institutions in the BSR to validate what are the most effective models suitable for the different social groups of the main target group: The 55+ labour force.

In this regard, we would like to highlight the value and special contribution of the current study on 'Increasing the Labour Force Participation of Older People in the Baltic Sea States: Challenges and Chances' carried out by Population Europe in the framework of the CBSS supported project 'Ageing Workforce, Social Cohesion and Sustainable Development – Political Challenges within the Baltic Sea Region'.

In the overall context of CBSS and BSLF efforts to strengthen social policies dimension in BSR cooperation, the Working Group on Welfare State should be mentioned as well. The Working Group has been temporary established in the framework of the Interreg Project and EUSBSR Flagship 'Baltic Science Network' where CBSS is a full partner. They have been tasked to complete the Working Paper: 'Fostering sustainable and inclusive labour markets in the Baltic Sea Region: A life course perspective', where the topics of future work, demographic challenges and inclusive labour market are prioritised.

The CBSS is striving to develop cooperation in the sphere of labour and employment in the BSR. It has received valuable support from the Swedish Institute by supporting the Baltic Sea Leadership Programme 'Labour Mobility' and the project 'Baltic Sea Labour Partnership', which became the framework for most of the meetings and activities mentioned above. CBSS is working in close cooperation with the EUSBSR PA Education and is grateful for its valuable contribution to the content of the labour and employment-related issues.

Footnotes

[1] [2] Council of the Baltic Sea States (2017). *CBSS Ministries of Labour Declaration*. Adopted in June 2017 in Berlin at the High-Level Meeting of the Representatives of the Labour Ministries of the CBSS.

Conclusions and Outlook

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The focus of this discussion paper was to describe the particular challenges faced by Baltic Sea State countries with policies aimed at the labour force participation of older people within the Baltic Sea region. Country experts presented patterns, preconditions and policy approaches related to the employability of older people in their region. The comparative perspective of the Baltic Sea region is of high relevance. The processes of demographic change affect every country of the Baltic Sea region and implications arise for every domain: The individual, politics, companies and society. However, the consequences of the ageing of society show also a high degree of diversity between the states. Similarly, the manner in which the consequences of population ageing on the labour market are approached varies between the countries.

The chapters provide a valuable compilation of regional expertise and best practice examples. However, the comparability and transferability of these examples depends on a profound knowledge of the regional background where they are implemented. This knowledge may refer to different welfare regimes, economic, social security and pension systems as well as different historical pathways that have resulted in diverging levels of trust towards state authorities. Besides, there are different expectations towards work life and different work cultures which shape the success of policies targeting the older population's employment situation.

The longstanding focus of the European Union (EU) on the topic was outlined in the chapter 'Increasing the labour force participation of older people on the political agenda of the European Union'. The EU emphasises the challenges of population ageing in its initiatives and publications as well as measures to increase the employment level of older people. The elaboration of the 'Guiding Principles for Active Ageing and Solidarity Between Generations' and a number of the key conclusions and recommendations from the 'Pension Adequacy Report 2018' underline the importance of the topic for the EU.

The Council of the Baltic Sea States and its Secretariat give all political support towards further development of the cooperation in the field of labour and employment, and calls to pool the resources fostering the sustainable labour markets in the Baltic Sea Region to ensure its competitiveness and social welfare. The challenges we are currently facing concern the need for better synergies between educational systems and labour markets' demands; demographic trends, including responses to ageing workforces and pressures on pension systems, can be met only by concerted efforts from all stakeholders ensuring the holistic cross-sectorial approach. For that reason, the CBSS Secretariat and the Baltic Sea Labour Forum (BSLF) have taken an initiative to establish the informal cooperation platform entitled 'CBSS/BSLF Coordination Group on Labour and Employment', based on voluntary participation of the representatives of the stake holders from the CBSS countries. A number of further initiatives include, e.g. the intention to apply to the ESF (European Social Fund) 'BSLF for Sustainable Working Life' addressing three issues, which are important for the CBSS Member States, as well as in the EU as a whole: Demographic challenge, Active ageing and Life Long Learning.

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